DANISH TECHNOLOGICAL INSTITUTE

Thematic Evaluation of the Structural Funds' Contributions to the Lisbon Strategy

Synthesis Report
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1. Executive Summary

A. Overall Conclusions

This study had the general objectives to understand better the contribution of the current generation of Structural Funds to the Lisbon Agenda, to analyse the policy framework at national and regional level for such a contribution, and to explore potentials and limits for the future.

The study finds that in the Member States the Lisbon Agenda is primarily seen as a set of policy objectives on which there is a broad consensus, and which serve to focus and maintain attention on important political issues. The achievement of these targets so far is mixed and varies across Member States. The weakness of the Agenda is the weakness of its implementation mechanism. The Agenda has, however, had a significant independent impact as regards resources allocated to R&D, IT infrastructure investment, and activities for improving information society skills.

The involvement of the regions in any formal implementation processes of the Lisbon Agenda is limited. However, the regions clearly pursue a number of objectives that are integral to the Lisbon Agenda.

Structural Funds contribute significantly to the objectives of the Lisbon Agenda, even if there is, with the exception of the European Social Fund, little formal integration between the Lisbon Agenda and the Structural Funds. In many regions, more than two thirds of Structural Fund expenditure is allocated to activities that are directly relevant to the Lisbon Agenda objectives, and a number of impacts from this support on the achievement of the Lisbon Agenda's quantitative targets can be detected. In regions where a lower share of Structural Fund expenditure is directly relevant to the Lisbon Agenda, the main reason is the significance in Structural Fund support for basic physical infrastructure, reflecting particular investment needs of the least prosperous regions.

The main priority of the Lisbon Agenda is a higher rate of aggregate economic growth in the European Union, while the overriding concern of the Structural Funds is cohesion and a reduction of the regional economic disparities within the Union. Considering the relationship between the Lisbon Agenda and the Structural Funds, there is on the one hand the growth contribution of Structural Funds via the activation of underused potential of underdeveloped regions and the reduction of congestion problems in agglomerations, and on the other hand some empirical evidence of a trade-off between economic growth and inequality.

Taking this fact into account and considering that the Union's cohesion principle has a firmer Treaty base than the Lisbon Agenda, three main ways to increase the complementarities and synergies between the Lisbon Agenda and the Structural Funds are recommended:

R1) Since the Lisbon Agenda is primarily an agenda for growth and competitiveness, measures should be taken to increase the growth effects of Structural Fund support through a greater efficiency and effectiveness of their interventions,

R2) Secondly, the future Convergence and Competitiveness objectives of the Structural Funds open greater opportunities for interaction and complementarities with the Lisbon Agenda. The new Competitiveness and Employment Objective in particular should be used actively to promote a stronger take-up of the Lisbon Agenda by Member States and regions. In order to achieve this goal, the resources of the proposed Objective must be concentrated, allowing it to make a significant impact. To maximise the effects of the Objective on the implementation of the Lisbon Agenda, it is recommended that a direct linkage is ensured with national policies and programmes, that concentration of the resources of the Objective is achieved geographically and/or thematically, and in this context that measures are put in place to multiply and mainstream experience from supported regions or prioritised thematic fields.

R3) The Lisbon Agenda's governance structures should be adapted to allow a more direct and closer formal integration and synergies between Structural Fund support and the Agenda, also through a greater inclusion of the regional and local authorities.

B. Findings of the study

The Aims and Activities of the Study

The study has three overall objectives:

1. Assessing the contribution of the current generation of Structural Funds programmes to the Lisbon Agenda in the EU15.
2. Identifying ways in which synergies and complementarities between the Structural Funds and the Lisbon Agenda can be better exploited.
3. Assessing how the Lisbon Agenda can be implemented at the regional level and how regional policy can contribute to achieving the Lisbon objectives.

Methodology

To answer these questions, several analyses have been carried out.

1. A comparative analysis of the objectives, legal basis and governance structures of the Lisbon Agenda and the Structural Funds.
2. An analysis of the economic rationales and growth strategies of the Lisbon Agenda and Structural Fund support.

3. An analysis of the implementation of the Lisbon Agenda at the national level for all the Member States concerned in the case studies.
4. An analysis of the implementation of the Lisbon Agenda at the regional level for each of the selected case studies.
5. An analysis of the contribution of the Structural Funds to the Lisbon Agenda objectives in terms of output and process contributions, focusing in particular on Objective 1 and Objective 2 regions.

The study has been carried out in three stages. First, an analytical framework for the evaluation was developed. Second, the analytical framework was applied in the implementation of 15 case studies in 12 Member States, with a view to assessing the contribution of the Structural Funds to the Lisbon Agenda. Eleven case studies focused on the relations between Structural Fund interventions and the Lisbon Agenda in selected regions, four case studies focused on Structural Fund contributions to the Lisbon Agenda at the level of Community Support Frameworks. Third, the development of this report presents the synthesis of results and lessons for future action.

Congruences and Synergies Between Lisbon and the Structural Funds

There is a considerable congruence between the overall objectives of the Lisbon Agenda and the objectives of the Structural Funds. Economic growth is a shared objective, as are the objectives of high employment and low unemployment. The Structural Funds and the Lisbon Agenda also share the premise that growth and development should not be achieved at the cost of environmental degradation. Economic development should be environmentally sustainable.

The various specific objectives of the Lisbon Agenda and the Structural Funds also reveal a number of complementarities and congruences: There is a high degree of complementarity as regards virtually all of those themes of the Lisbon Agenda which involve, require or are facilitated by the allocation of funds for investment (employment, IT infrastructure investment, investment in research and development, investment in human capital/HRD, investment in business development, social inclusion, and environmentally sustainable development).

This congruence of objectives is to a great extent reflected in Structural Fund expenditure. Our analysis of data from the case study regions suggests that, measured in terms of the share of Structural Fund support allocated to fields which are directly relevant for the Lisbon Agenda's objectives and targets, congruence is frequently above 50 per cent.

However, there are clear differences between different types of regions and areas. Congruence is significantly higher in relatively more prosperous regions, ranging from about 67 per cent to about 85 per cent, and it is significantly lower in the relatively less prosperous areas and regions, ranging from approximately 18 per cent to approximately 33 per cent.

Table 1.1: Approximate Share of Structural Fund Support Relevant to the Lisbon Agenda's Objectives[1]

Country / region	Primary Programme/ Framework	Approximate share of funding relevant for Lisbon Objectives (%)
Portugal	CSF/ Obj. 1	21
Greece	CSF/ Obj. 1	39
Ireland	CSF/ Obj. 1	42
Germany – Neue Bundesländer	CSF/ Obj. 1	56
Greece – Attica	Objective 1	18
Italy – Campania	Objective 1	26
Portugal – Norte	Objective 1	28
Spain – Extremadura	Objective 1	32
Germany – Sachsen Anhalt	Objective 1	67
Sweden – Norra Norrland	Objective 1	78
UK – Western Scotland	Objective 2	68
Denmark – Bornholm	Objective 2	80
Austria – Lower Austria	Objective 2	n/a
Finland – Satakunta	Objective 2	85
France – Aquitaine	Objective 2	83

Differences and Tensions

There are also fundamental differences between the Lisbon Agenda and the Structural Funds. Most important is the tension between economic growth on the one hand and economic and social cohesion on the other. The Lisbon Agenda gives priority to a higher aggregate rate of growth in the European Union. The Lisbon Agenda is defined as an agenda for the Union as a whole and the overarching objective is to increase the overall performance of the European economy.

In opposition to the Lisbon Agenda, the key objective of the Structural Funds is that of cohesion. This means that there is an important spatial dimension to the growth objective of the Structural Funds: Structural Funds support development in specific Member States, regions, or spaces, defined either by relative poverty, low population densities, peripherality, or structural economic weaknesses.

The European Social Fund (ESF) is a notable exception. The ESF contributes to programmes which cover the entire area of the European Union.

Table 1.2. Fields of Difference and Non-Congruence

	Lisbon Agenda	Structural Funds
Spatial Dimension of Objectives	Insignificant	Very significant
Character of Objectives	Broad *and* operational	Broad
Formulation of Operational Objectives	Centralised	Decentralised
Governance Instruments	Weak	Strong
Significance of Physical Infrastructure	Low	High

Another difference is the degree of abstraction and the way of setting objectives in the Lisbon Agenda and in Structural Funds. Whereas the Lisbon Agenda is

[1] Please refer to table 6.1 for methodological explanations.

composed of a combination of both broad and operational objectives, the Structural Fund's objectives at EU level are broad , allowing for a decentralised process of operationalisation and strategic prioritisation. In this regard, the Lisbon Agenda is to a great extent defined as a uniform *top-down* agenda for the whole of the Union, even if it involves highly decentralised voluntary implementation. The Structural Funds have stronger governance instruments at their disposal, but within this framework the programming process involves a regionalised *bottom-up* approach.

Finally, there are important differences as regards the prioritised investment fields. Most importantly, the Structural Funds support basic physical infra-structure investment, while this investment is not significant for the Lisbon Agenda. The Structural Funds also open up possibilities for other kinds of development support (e.g. cultural heritage development, specific local types of production) which are not covered by the Lisbon Agenda.

Differences in Congruence Reflect Regional Variations in Investment Needs

The differences in congruence between the Lisbon Agenda and the actual Structural Fund expenditure in different regions reflect the relative significance of Structural Fund support, in particular in Objective 1, to investment in basic physical infrastructure, covering both transport infrastructure, energy infra-structure, and basic environmental protection infrastructure such as waste management systems.

Table 1.3. Congruence between Structural Fund Support and GDP Per Capita in the Case Study Regions

Region	Approximate congruence SF-Lisbon	GDP per capita (PPS 2001, EU15 = 100) [2]
Attica	18	71
Campania	26	65
Extremadura	32	54
Norte	33	57
Sachsen Anhalt	67	66
Western Scotland	68	94
Norra Norrland	78	93
Bornholm	80	82
Niederösterreich	n/a	92
Aquitaine	83	95
Satakunta	85	98

Source of GDP data: European Commission, Third Cohesion Report, 2004.

The differences in the relative significance of basic physical infrastructure investment in turn reflect the different investment needs of the various regions: Investment needs reflect certain stages of regional development; needs for basic physical infrastructure investment tend to be more important in the least prosperous regions and areas than in relatively more prosperous regions.

[2] For methodological explanations, see table 6.5.

The National Implementation of the Lisbon Agenda

The case studies suggest that in the Member States the Lisbon Agenda is of some significance for policy processes and reforms in fields that are relevant for the Structural Funds. On the other hand the Agenda is not seen as a binding coherent and operational political programme which is to be implemented systematically, through definition in the national context of strategic targets, the formulation of national and regional development plans, and the roll-out of subsequent legislative and budgetary reform at different administrative levels. This conclusion on the status of the Lisbon Agenda in the Member States is broadly in line with the conclusions of the Kok-report (Kok et al. 2004)

From the perspective of the Member States, the Lisbon Agenda is generally best described as a set of political objectives that are considered relevant in some contexts but not in others and which serve to focus discussion and attention in particular directions and maintain the salience of specific issues.

This results from the fact that the Lisbon Agenda is a set of political objectives resting on the basis of structured but voluntary coordination in the framework of open methods of coordination. Moreover, all the concerned Member States have already been active in the pursuit of the Agenda's objectives in many different ways, both before and after the year 2000, for which reason it cannot be expected that the Agenda is to be "rolled out" in the countries concerned.

Box 1.1. The Lisbon Agenda and the Prioritisation of R&D, Examples from the Case Studies

- *Austria:* The Lisbon Agenda has boosted the focus on R&D. A national foundation for research has been established in 2003, and tax schemes have been introduced to boost private R&D investment
- *Denmark:* The Agenda has provided impetus for increased research spending, among other things the establishment of a high-technology research fund of significant size.
- *Germany:* Even if the Lisbon Agenda is generally not very salient, attention has been devoted to the Agenda's R&D theme, and there is a clear and continued focus on R&D spending growth in government spending plans.
- *Italy:* The Guidelines for the 2002-2004 National Research Plan defines an objective for the period 2003-2006 of increasing public R&D spending from 0,6 per cent to 1,0 per cent of GDP.
- *United Kingdom:* New R&D spending plans and tax breaks for innovation and R&D, announced in 2003, are likely to lead to an overall increase in R&D spending and the share of the private sector within this in the years ahead.
- *Ireland:* The integration of R&D tax credits is a specific policy measure that can be directly linked to the Lisbon Agenda.

Nevertheless, the Lisbon Agenda has had a direct impact in a number of Member States, and at the same time its broader significance should not be underestimated. As regards those aspects of the Lisbon Agenda that are considered here,[3] the direct impact relates primarily to the increased attention devoted to Research and Development in the Member States, to IT-infrastructure development, and to the promotion of skills for the information society.

As regards the broader and more indirect significance of the Lisbon Agenda, there are a number of examples of the Agenda interacting in a productive manner with the existing political agenda of the Member States and serving to enhance the strategic focus in various respects, both at a cross-sectoral and cross-ministerial levels and within specific sectors. This is most importantly the case for labour market policy, education and training, and social inclusion policy. Thus, the European Employment Agenda, which is an integral part of the Lisbon Agenda and comprises a system of annual national action plans for employment and social inclusion, has had an identifiable impact in integrating these policy fields.

Implications for the Role of the Regions

This picture of the character of Lisbon Agenda implementation has important implications for the role of the regional level and for the actual and potential role of the Structural Funds. Since it is misleading to speak of the implementation of the Lisbon Agenda as a "roll out " of a binding and coherent set of activities and reforms at different levels, it follows that the role of the regional level has been limited so far.

Generally, the regions are not involved in policy reforms under the heading of the Lisbon Agenda. Nor are they - with the exception of the formal role of provinces or federal states in the federally organised Member States - formally involved in the implementation of reforms at the national level which are carried out as a direct response to the Lisbon Agenda. Evidently, a range of the Lisbon Agenda's objectives are actively pursued at the regional level and may to some extent have been inspired by the agenda of the Lisbon Agenda, cf. also box 1.2, but generally there is no explicit reference to the Agenda in this respect.

Apart from the references to European Social Fund support in the descriptions and priorities of the National Action Plans for Employment, there is no evidence of a formal coordination or integration of the implementation structures of the Lisbon Agenda and those of the Structural Funds. Activities directly related to the Lisbon Agenda and activities related to the implementation of Structural Fund support are located in entirely separate administrative structures.

If the objective is to assess how the Lisbon Agenda can be implemented at the regional level and how regional policy can contribute to this end, the implication is that it is appropriate to focus on the *objectives* of the Lisbon Agenda and the role of the regions and regional policy in this respect, but that the concept of the *implementation* of the agenda is potentially misleading. The regional level

[3] Lisbon Strategy objectives relating to the adoption of new legislation or regulation at the Member State or the Union level are not included. As a consequence, the so-called Cardiff process on the restructuring of product and capital markets is not considered. Neither is the theme of adequate and sustainable pensions or reform of the formal education system, cf. also Annex 1.

cannot be expected to contribute to an implementation of the Lisbon Agenda, conceived as a systematic "roll out" of interrelated activities and reform that are directly related to the relevant European Council conclusions, since such an implementation process does not exist. The *objectives* of the Lisbon Agenda, on the other hand, remain highly relevant also for the regions.

Box 1.2. The "Dynamo Regions" – network

The Dynamo Regions, established in 2004, is a network of regions that understand the Lisbon Agenda as an opportunity to enhance a strategic approach to a better use of the growth potential of European regions. The network members underline the contribution that the economically more successful regions make to the prosperity of the EU as a whole. However, the network also acknowledges the importance of supporting the poorest regions in the EU.

The following are members of Dynamo Regions: Friuli-Venezia Giulia (Italy); Haute-Normandie (France); Öresund Region (Denmark); South East England; South Sweden; Stuttgart Region (Germany); Veneto (Italy).

The key question is therefore how regional policy and Structural Fund support can contribute most efficiently to the achievement of the relevant objectives of the Lisbon Agenda. Answers to this question are, in turn, closely related to the present character of Structural Fund interventions in the different programmes and to the efficiency of these interventions in contributing to the most important overall objective of the Lisbon Agenda: Increased economic growth.

The Growth Contribution of Structural Fund Support

Our study highlights how Structural Fund support, mainly investing in physical and human capital, can generate positive output and employment effects. By reducing regional disparities, regional development support can generate positive growth effects in several different ways. Permanently higher unemployment rates in specific regions are associated with lower labour productivity and investment levels and necessitate unproductive government spending. Regional growth disparities can inflict severe economic costs on rapidly growing agglomeration areas. Alleviating these problems can stimulate economic growth.

Therefore, there are good arguments that the contribution of Structural Funds to both growth and development at the regional level leads to aggregate economic growth at the Member State or Union level. Indeed, our case studies have generated information on the positive effects of Structural Fund support in a number of fields that are integral to the Lisbon Agenda's priorities. In a number of instances, we have been able to identify developments in the Lisbon Agenda's structural indicators which are fully in line with significant Structural Fund measures and priorities (general educational attainment levels, patent applications, and science and technology graduates in Portugal; reduction in the proportion of early school leavers, labour productivity growth, and private investment growth in Greece; general educational attainment level and lifelong learning in Ireland).

At the same time, however, there is empirical evidence of a trade-off between economic growth and regional economic inequality: In the early stages of catching up – processes, greater economic growth tends to start in higher developed agglomeration areas, implying increasing regional disparities.

Empirical evidence is insufficient to firmly answer questions of the extent of this trade-off, . Even so, the significance of the dilemma between overall growth and regional disparity can be reduced if the growth effects of investment support can be increased by a greater efficiency of Structural Funds interventions.

C. Ways forward

Increasing the Growth Contribution of Structural Fund Support

Several possibilities should be considered for increasing the aggregate growth effects of Structural Fund support for all three future objectives. The Treaty base of the Structural Funds suggests that the cohesion principle must be accepted as the framework within which such possibilities are considered: The cohesion principle has a firmer legal basis than the Lisbon Agenda, and for this reason among others we have not considered realistic such possibilities that would require a fundamental revision of it.

Within this framework, we recommend the following measures aiming to increase the aggregate growth effects of Structural Fund support for all future objectives of Structural Funds (Convergence, Competitiveness, Co-operation):

- *More emphasis on the growth objective through a reduced number of priorities*. The economic growth objective of the Structural Funds should be given more weight in regional and national programming processes at the cost of concerns for other objectives. One way of achieving this could be a reduction of the number of priorities within Structural Funds programmes.

- *Emphasis on R+D and Innovation*. Given the empirical evidence that there are generally very high social rates of return on investment in R&D and innovation, the Structural Funds' focus on these investment fields should be increased in the next programming period, on a flexible basis and taking into account local and regional circumstances. Similarly, attention should be increased to institutional factors which facilitate and disseminate research, development, and innovation.

- *Focus on institutional prerequisites for growth*. Where relevant, Structural Fund programmes should increase their systematic support for the development of basic institutions. Among relevant institutional factors that are both conducive for growth and could be supported to a greater extent by the Structural Funds are measures for improving the efficiency of public administration at central and regional levels, in particular as regards business-related public administration services and business regulation. Where relevant, Structural Fund support should to a greater extent be made conditional upon the establishment or development of basic institutional prerequisites for economic growth, primarily institutional elements of good governance and the absence of corruption.

- *Stricter limits for support to individual enterprises*. Stricter limits should be introduced for support to individual enterprises above the SME threshold, where this support does not involve support to human resource development, research and development, or other goods with positive externalities.

- *More solid assessments of costs and benefits, intensified research*. Stronger requirements should be introduced for solid assessments of the costs and benefits of Structural Fund investment. Clearer guidelines should be introduced for ensuring that projects with the highest social rate of return or the lowest cost/benefit ratio are prioritised. Research efforts should be intensified to increase the level of knowledge about the returns of different types of investment in different types of regions. A solid knowledge base should be established with a view to creating the preconditions for focusing investment support more closely on regions and investment fields with the highest possible returns.

- *Facilitation of risk-taking and innovation in Structural Fund measures*. Ways to increase risk-taking and innovation in Structural Fund activities should be identified and implemented. The (administrative) delivery mechanism must take into account the specific features of risk-taking and innovation. In our case studies we found evidence for tensions between innovation and financial control routines.

- *Raising the awareness of the Lisbon Agenda*. Actions should be taken to raise the awareness and consciousness of the Lisbon Agenda at the regional level. Acknowledging that the Lisbon Agenda is a reaction to the very real challenges of an intensification of globalisation and an increasing pace of technological change, relevant regional actors should take into consideration the objectives of the Agenda when regional programmes are being defined and implemented.

No Mechanical Alignment of SF Investment Priorities with Lisbon, Keep Support for Infrastructure within the Convergence Objective

We do not recommend a general and mechanical alignment of the types of investment for which the Structural Funds can provide support with the Lisbon Agenda's priorities. It can be questioned from the point of view of economic theory and empirical evidence whether all of the Lisbon Agenda's specific investment priorities are the best choice for every region in the Union, considering that these priorities apply to the whole of the Union and that the growth effects of investment in different fields are likely to depend on the context within which such investment is made. Our case studies have also pointed to significant differences in the investment requirements of different regions and to diverse output potentials of investment in different fields.

There is thus a risk of harm to growth, convergence, and cohesion if, in accordance with the Lisbon Agenda, the Structural Funds in poorly developed areas – regions to be covered by the future Convergence Objective - were to support not basic physical infrastructure development but rather invest heavily in IT infrastructure, information society skills, and research and development. It should be acknowledged, however, that different types of investment may complement each other and that often the situation will not be one of a choice between support for basic physical infrastructure and support for ICT infrastructure and information society skills.

Some of the Lisbon Agenda's investment priorities are also highly operational and thus do not take into account differences in regional investment and development needs. Applying these investment priorities in a rigid manner may hurt growth.

Concerning the question of aligning the investment priorities of the Structural Funds closer to the Lisbon Agenda, there is a case for distinguishing between current Objective 1 and Objective 2. The degree of congruence between Objective 2 and the Lisbon Agenda is already higher than for Objective 1, and Objective 2 generally targets regions where basic physical infrastructure requirements have been to a great extent been satisfied or are being provided for by the Member States. There would thus seem to be limited risks in a closer alignment of the investment priorities of Objective 2 with the Lisbon Agenda.

Making Use of the New Competitiveness and Employment Objective

Not least in response to the Lisbon Agenda, the Commission has recently proposed the introduction from 2007 of a specific Structural Fund objective, the Competitiveness and Employment Objective. A thematic concentration on three fields is envisaged for this objective: Innovation, environment and risk protection, and accessibility.

Some preconditions for the success of this future objective should be stated clearly.

If it is the intention of the Competitiveness objective to enhance the competitiveness of selected regions, a clear <u>concentration of financial resources on selected regions</u> is necessary. Otherwise the impact on competitiveness is likely to be of limited relevance in the regional and national contexts.

Second, if the goal of the Competitiveness and Employment Objective is to <u>stimulate a stronger strategic orientation</u> in the Member States in relation to the overall Lisbon Agenda, considerable efforts are necessary to make this happen: Even if programme support were to be concentrated in selected types of regions, the link between support for regional growth and competitiveness and relevant policy changes and reforms at Member State level is uncertain. It is unclear whether the implementation of the Lisbon Agenda, understood as a systematic roll-out of interrelated reforms with a view to the Lisbon Agenda's objectives, can be efficiently furthered by an investment support programme.

For these reasons it is recommended that the Competitiveness Objective be developed further in the following directions:

- *Linkage to national policies and programmes*. Provision of Competitiveness and Employment support should be conditional upon explicit linkages to national strategies and policies and national policy development aimed at the implementation of Lisbon. The Member States could be required to integrate Competitiveness and Employment support fully into their overall national employment strategies, or into a broader national strategic plan for Lisbon Agenda implementation. As the most far-reaching possibility, which could complement this, funds from the Competitiveness and Employment Objective could be made conditional upon progress and reforms in specific policy fields relevant for the Lisbon Agenda, following negotiations between each Member State and the Commission.

- *Concentration* - in selected regions and/or on fewer themes. Financial support must be of a size which enables a significant economic impact in the specific context. Otherwise, policy learning and political spill-over effects are unlikely. Concentration in selected regions appears as the most realistic possibility in this respect and should be ensured. Higher thematic concentration is also a possibility. In the context of the Lisbon Agenda, the Member States could be required to identify a limited number of regions and/or prioritised investment fields within the still broad eligible fields of the future Competitiveness and Employment Support.

- *Commitment to mainstreaming and dissemination*. The Member States should make clear commitments to ensure multiplication and mainstreaming of results and experiences from the supported regions or the prioritised investment fields. The Member States could be required to include an action plan for multiplication of results and for mainstreaming of experiences into general policy in relevant fields. Periodic reviews of the implementation of this agenda and action plan could be included in the evaluation of interventions under the framework of the Competitiveness and Employment Objective.

Strengthening the Interplay between Lisbon and the Structural Funds

The Structural Funds are potentially a highly effective instrument for furthering the achievement of the Lisbon Agenda's objectives. Some possibilities for a greater contribution to the Lisbon objectives have been elaborated above.

However, our study suggests that the actual contribution of Structural Funds is hampered by the present status and significance of the Lisbon Agenda itself in the Member States. The Lisbon Agenda is too unfocused and its implementation mechanisms are too weak and too poorly structured in this respect.

With a view to improving the possibilities for synergies and complementarities between the Lisbon Agenda and the Structural Funds in the medium to long term, the Lisbon Agenda should be further developed in several respects. The experiences from several decades of Structural Fund support should be taken into consideration in this respect:

- *A strategic programming process.* The Open Method of Coordination should be reformed in order to achieve to a greater degree a systematic strategic programming process involving ex ante analyses, strategies for selected prioritised areas, the preparation of comprehensive and operational development plans, extended impact assessments, and systematic external evaluation and peer review in a unified process for each Member State.

- *Consolidation of OMC into a single framework.* The instruments of the Open Method of Coordination (National Action Plans, National Reports on Structural Reforms, and other systematic national reporting in relation to the Lisbon Agenda's objectives) should be consolidated into a single framework of strategic policy formulation. Regional specificities should be taken into account.

- *Greater coherence and alignment of national policies.* Encouragement should be given to greater coherence and alignment at the Member State level of relevant national policies and strategies within the Lisbon Agenda framework, as the present evaluation has suggested that countries where this happens have experienced a more significant contribution of the Structural Funds to the Lisbon Agenda.

- *Distinguishing between global objectives and operational targets.* A clearer distinction should be drawn between global objectives and operational targets. In order to increase their utility and potential impact, operational targets should be defined at Member State and, where relevant, regional levels on the basis of systematic analysis. Operational targets should consider the differences between the Member States and their regions.

- *Awareness raising.* Actions should be taken to raise the general level of awareness and consciousness of the Lisbon Agenda among relevant actors at the regional level as well as among other relevant actors.

It bears repeating that an effective design of both policy instruments is a precondition for an even greater contribution of Structural Funds to the Lisbon Agenda. Our proposals illustrate that the aim of achieving such a development cannot be reduced to the introduction or improvement of some few discrete procedures and instruments.

Such a development requires the involvement of the different policy stages and instruments of regional policy. General orientations towards the Lisbon Agenda such as intended via the future Community Strategic Guidelines are needed in parallel with a respective design of Convergence and Competitiveness objectives, the introduction of binding and precise commitments in future Operational Programmes, and the stimulation of awareness in and ownership by regions. Another essential element that deserves more attention in this context is the effective interaction and congruence of national policies and Structural Fund programmes.

These elements taken together will enable the Structural Funds to become a significant “financial incentive” for the implementation of the Lisbon Agenda, as proposed by the Kok-report on the mid-term review of the Lisbon Strategy.

2. Introduction

2.1. Background

The European Union has formulated a far-reaching ambition. In the Lisbon Strategy, it has set itself the objective of becoming, before the year 2010, the “most dynamic and competitive knowledge based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion” (European Council 2000).

To achieve this objective, an overall strategy has been defined, a number of new common intermediate policy goals have been formulated, and new mechanisms of coordination and decision-making have been accorded a prominent position.

The overall strategy for achieving the objective has three elements:

– Member states and the Union are to prepare the transition to a knowledge-based economy and society through better policies for the information society and R&D as well as by stepping up the process of structural reform for competitiveness and innovation and by completing the internal market;
– Member States and the Union are to modernise the European social model, invest in people, and combat social exclusion;
– Member States and the Union are to sustain a healthy economic outlook and favourable growth prospects by applying an appropriate macro-economic policy mix.

Common Goals

Common policy goals which particularly follow from the first and third of the elements of this strategy include objectives concerning the facilitation of an information society for all; the rapid establishment of a European Area of Research and Innovation; the creation of a friendly environment for starting up and developing innovative businesses, especially SMEs; economic reforms for a complete and fully operational internal market; and measures to establish efficient and integrated financial markets.

Macroeconomic coordination for growth, stability and fiscal consolidation, and for fostering the transition towards a knowledge-based economy, is a further important element. In particular, this means an enhanced role for structural policies and a redirection of public expenditure towards increasing the relative importance of capital accumulation and towards support for research and development and innovation and information technologies.

As for the ambition to modernise the European social model, this means, among other things, an ambition to alleviate the tax pressure on labour and especially on the relatively unskilled and low-paid, and to improve the employment and training incentive effects of tax and benefit systems. In addition, the Lisbon

Strategy formulates new objectives regarding education and training with a view to equipping citizens to live in a knowledge society, it specifies a goal of developing an active employment policy throughout the Union, and it defines an objective of modernising social protection to ensure that work pays and that protection systems are sustainable in the face of an ageing population. It also defines an overall objective of promoting social inclusion, in particular by improving skills, by promoting wider access to knowledge and opportunity, and by fighting unemployment.

In June 2001, the Lisbon Strategy was completed at the Gothenburg European Council with the agreement on a strategy for sustainable development, based on the principle that the economic, social, and environmental effects of all policies should be examined in a coordinated way and taken into account in decision-making.

Mechanisms of Coordination and Decision-Making

While the achievement of these new common goals in part relies on well-known mechanisms of regulation and government, they also involve a more recent 'soft governance' approach, the open method of coordination. It is thus characteristic of the Lisbon process that it to a great extent invites the open and voluntary coordination of Member State policies in fields where the Union itself has little formal competence. But even if coordination is voluntary, it is also highly structured, involving the systematic comparison, monitoring, and evaluation of Member State progress towards a number of quantitative targets, and peer review among participating parties of progress towards the stated objectives.

Today, an operational cornerstone in the Lisbon Strategy for economic and social renewal is the structural indicators against which the Lisbon Strategy reflects itself and its policy objectives, and against which Member State performance is regularly assessed (Commission 2002a, see also Annex 4). The comprehensive set of indicators, available at Eurostat's structural indicators website,[4] constitutes an operational expression of many of the objectives towards which the Member States are working, in the context of the overall objective of becoming the world's most dynamic and competitive knowledge-based economy before 2010.

The indicators concern:

- *The general economic background of the Member States*. Whereas the Lisbon Strategy does not set particular targets for economic performance, a sound economy is a precondition for achieving the objectives of the strategy. Indicators thus reflect a concern for a sound macroeconomic environment and for growth and standards of living.
- *Employment*. These indicators address several of the key aims of the Lisbon European Council, namely to strengthen employment in the Union, the

[4] http://europa.eu.int/comm/eurostat/Public/datashop/print-product/EN?catalogue=Eurostat&product=struct-EN&mode=download

importance of equal employment opportunities for men and women, and the importance of an “active employment policy”. It also contains an indicator on the average effective exit age from the labour market, reflecting the Barcelona European Council’s particular concern with the sustainability of pension systems.

- *Innovation and Research*. The innovation and research indicators measure the Lisbon Strategy’s ambitions for transition to a knowledge-based economy through better policies for R&D, education, and the information society. Indicators include spending on human resources, R&D and ICT expenditure, and measures of the level of scientific and innovative activity .
- *Economic reform*. These indicators respond to the Lisbon Strategy’s emphasis on product and capital market reform. They look at market integration, progress in liberalising the network industries, and possible distortions in the functioning of product markets caused by public intervention.
- *Social cohesion*. The social cohesion indicators provide measures of the degree and persistence of the risk of poverty, income dispersion, and the associated risk of social exclusion, in accordance with the Lisbon European Council’s high priority on social cohesion.
- *Environment*. These indicators cover the four main areas identified by the Gothenburg European Council: climate change, sustainable transport, threats to public health, and management of natural resources.

In itself, the Lisbon Strategy does not provide any additional funds for the initiation of new activities and measures. Rather, it relies heavily on the Member States’ redirection of their own policies and public budgets. At the Union level, Lisbon presupposes the adoption of a range of regulatory measures, particularly as regards the functioning of markets for products, services, and capital. The Structural Funds of the European Union are only mentioned once in the Lisbon Presidency Conclusions, in connection with a concern to mainstream the promotion of social inclusion. However, the Structural Funds have been given more attention in later Spring Reports, the Commission’s yearly review of progress on the Lisbon Strategy’s implementation.

The EU Structural Funds

Nevertheless, the Union presently operates a number of development funds, i.e. the Structural Funds, which have considerable financial resources. The budget of the Structural Funds amounts to almost € 195 billion for the period 2000 – 2006. In addition to this, approximately € 18 billion are available for the Cohesion Fund for the period 2000 – 2006.

These different Structural Funds operate to different ends, and although the current generation of Structural Funds programmes was devised well before the formulation of the Lisbon Strategy, it is one of the key objectives of present thematic evaluation to assess their contribution to the Lisbon Strategy and their coherence with it.

During the present programming period, the Structural Funds (the ERDF, the ESF, the EAGGF, and the FIFG) provide support to specific projects and activities through a number of multi-annual programmes: Objective 1 supports regions whose development is lagging behind, covering 83 million European citizens; Objective 2 presently provides support to areas facing structural difficulties, covering 68 million citizens; Objective 3 provides funding to help adapt and modernise policies and systems of education, training, and employment. The entire population of the EU outside the Objective 1 areas is covered by Objective 3.

The Structural Funds also finance four 'Community Initiatives'. These are: Interreg III, which aims to stimulate cross-border, transnational, and interregional cooperation; Leader+, which promotes rural development through the initiatives of local action groups; Equal, which provides for the development of new ways of combating all forms of discrimination and inequality in access to the labour market; and Urban II, which encourages the economic and social regeneration of declining towns, cities and suburbs.

Apart from the Structural Funds, a special solidarity fund, the Cohesion Fund, was set up in 1993 to help the four least prosperous Member States: Greece, Portugal, Ireland, and Spain. It provides assistance throughout these countries to finance major projects in the fields of the environment and transport. Unlike the Structural Funds, the Cohesion Fund supports individual projects. Support from the Cohesion Fund is today particularly important for the Member States that joined the Union in 2004, making up about 1/3 of overall structural policy support to these states.

2.2. Objectives

The current evaluation takes place against this background. The overall objectives of the evaluation are:

1. To assess the contribution of the current generation of Structural Funds programmes to the Lisbon Strategy.
2. To identify ways in which synergies and complementarities between the Structural Funds programmes and the Lisbon Strategy can be better exploited.
3. To assess how the Lisbon Strategy can be implemented at the regional level as well as how regional policy can contribute to achieving the Lisbon Strategy objectives.

The main purpose of the evaluation will be to provide guidance on how to design Structural Funds interventions that exploit all potential synergies with the Lisbon Strategy. The findings will be used in the preparation of Structural Funds programmes and policies post-2006.

2.3. Study Design and Methodology

The thematic evaluation of the contribution of the Structural Funds to the Lisbon Strategy has been carried out in three stages:

1. An analytical framework for the evaluation has been developed
2. The analytical framework has been applied in the implementation of 15 case studies, with a view to assessing the contribution of the Structural Funds to the Lisbon Strategy
3. This report presents the synthesis of results and lessons for future action

Development of the Analytical Framework

This task has consisted of the following key elements:

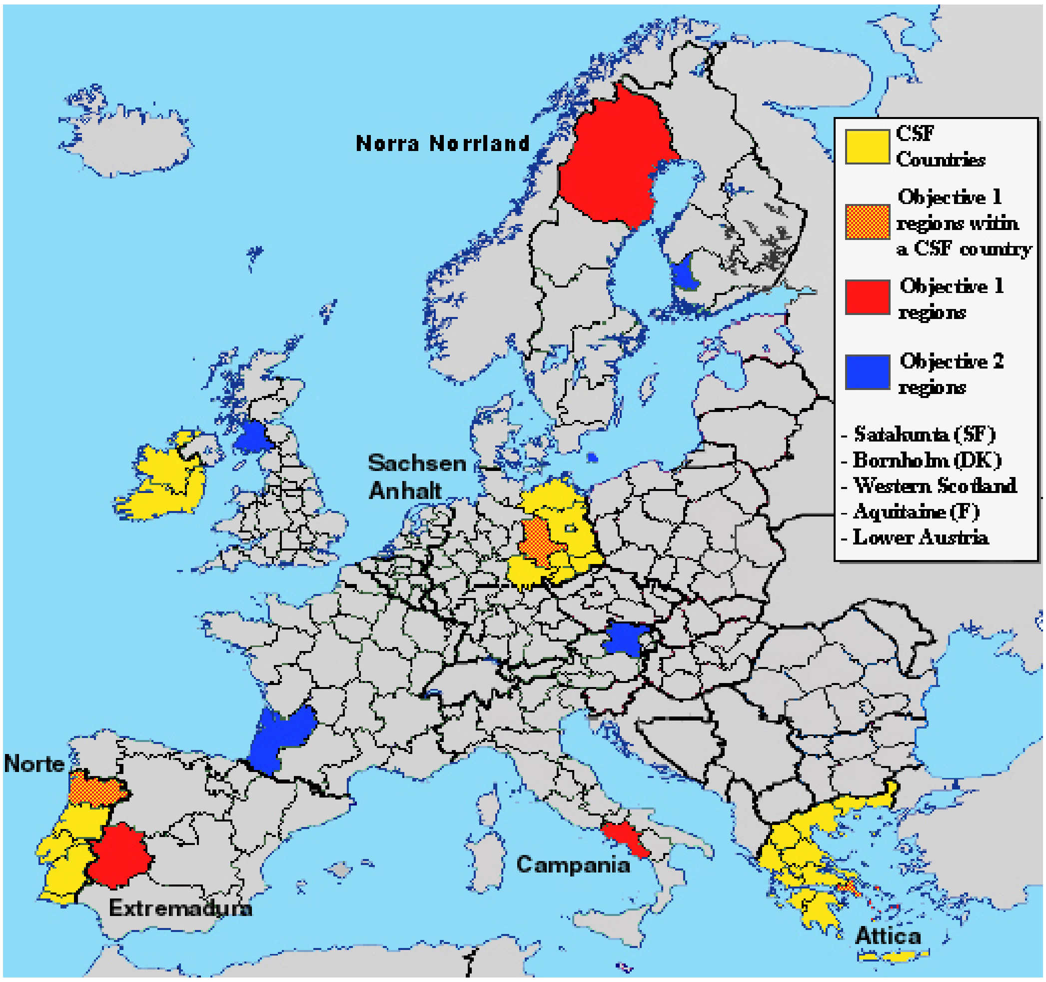
- A review of main characteristics of the Lisbon Strategy and the Structural funds with respect to rationale, objectives, and implementation mechanisms/governance structure. The purpose has been to identify the areas of congruence between the Lisbon Strategy and the Structural Funds where the Structural Funds could potentially contribute to the achievement of the Lisbon Strategy objectives. It has also been to highlight differences and similarities between the two mechanisms that might be of relevance when considering ways of increasing their complementarities and synergies in the future.
- A review of the most important empirical research on overall implementation of the Strategy at Member State level, including a review of how the Lisbon Strategy is implemented at the regional level in each of the Member States concerned and an assessment of the coordination with the national level.
- The development of a typology of the main interactions between the Lisbon Strategy and the Structural Funds.
- The development of evaluation criteria to assess the contribution of the Structural Funds to the Lisbon Strategy.

Assessment of the Contribution of the Structural Funds to the Lisbon Strategy

The actual assessment of the contribution of the Structural Funds to the Lisbon Strategy has taken place against this background, based on 15 case studies.

Eleven case studies have focused on the relations between Structural Fund interventions and the Lisbon Strategy in selected regions, while four case studies have focused on Structural Fund contributions to the Lisbon Strategy at the level of Community Support Frameworks. The eleven studied regions are Campania (Italy), Extremadura (Spain), North Portugal (Portugal), Attiki (Greece), Aquitaine (France), Western Scotland (United Kingdom), Bornholm (Denmark), Sachsen-Anhalt (Germany), Lower Austria (Austria), Satakunta (Finland), and Norra Norrland (Sweden). Among the eleven regional case studies, six are Objective 1 regions and five are Objective 2 regions.

The four Community Support Framework case studies focus on the three cohesion countries Ireland, Portugal, and Greece, and on the German CSF-area (The New Federal States).



The case studies have involved the following steps:

1. An analysis of the implementation of the Lisbon Strategy at the national level for all the Member States concerned in the case studies. The purpose of this step is to outline the national policy context.
2. An analysis of the implementation of the Lisbon Strategy at the regional level for each of the selected case studies (this step has not applied to the CSF case studies).
3. An analysis of the contribution of the Structural Funds to the Lisbon Strategy objectives.

Analysis of the Implementation of the Lisbon Strategy

The analysis of the national implementation of the Lisbon Strategy has been carried out with a view to improving our understanding of the Structural Funds' actual or potential contributions to the Strategy and the limits of such contributions. The rationale of this step has been to describe and analyse the *conditions* for the regional implementation of the Strategy and thus also the conditions for Structural Funds' contributions to the overall realisation of the Lisbon Strategy. The objective is not in itself to evaluate each Member State's progress towards the various Lisbon objectives.

In this context a specific understanding of "the implementation of the Lisbon Strategy" has been applied. Not all parts of the Lisbon Strategy are relevant to the present study, and the focus has been limited to some of the Lisbon Strategy objectives.

Even if some of the Strategy's objectives are not considered, the Strategy is still so broad-ranging that it necessarily covers a range of activities and objectives that are already on the agenda in the Member States. All Member States have, for instance, developed and implemented business development activities, in one form or another. All Member States are, in one way or the other, involved in policies and activities that support human resource development, skills development, reducing illiteracy, etc. Consequently, if "the implementation of the Lisbon Strategy" were to be defined for instance as any activity seeking to move towards the Lisbon Strategy's objectives, the resulting analysis would inevitably point to a conclusion where all Member States are highly engaged in realising the Strategy.

To enable a relevant analysis of the processes of implementing the Lisbon Strategy in the present context, the focus has been restricted to recent developments and initiatives as regards those aspects of the Lisbon Strategy which are mostly relevant for the Structural Funds. These are the aspects which directly or indirectly require the allocation of funds for investment (cf. Annex 1).

Furthermore, it has been an objective to identify the significance of the Lisbon Strategy itself for such recent developments and initiatives at the national level. This approach allows us to assess the saliency of the Lisbon Strategy in each of the studied Member States, and it has been a guiding working hypothesis that the higher the saliency of the Lisbon Strategy at the national level, the higher the probability that the Structural Funds are actively and consciously utilised in seeking to achieve the Lisbon Strategy's objectives.

Hence, we have defined "the implementation of the Lisbon Strategy" as activities that are carried out with direct or indirect reference to the relevant European Council Presidency Conclusions within the structures of the Open Method of Coordination. These activities include as important elements the formulation and/or implementation at Member State level of the Broad Economic Policy Guidelines; National Action Plans for Employment; National Action Plans for Social Inclusion; national or regional actions with explicit reference to the "eEurope Action Plan" (an information society for all); and "reforms of education and training systems" (the 10-year work programme for reform of education and training systems).

A number of other Community action plans, communications, and programmes, refer to the Lisbon Strategy. To the extent these plans, communications, or programmes are affecting national policy making, it is also understood as instances of the Lisbon Strategy being implemented. Among the most important documents in this respect, the following can be emphasised:

- The 2003 Communication on Innovation in light of the Lisbon Strategy (Commission 2003b)
- The Environment Technologies Action Plan (Commission 2004b)
- The 6th Framework Programme for Research and Development,
- The Union's SME-policy in the context of the Lisbon Strategy.

"Activities" are in turn understood as the collection of information, the development of strategies, policies, and action plans, the appropriation of funds, the implementation of programmes, projects, or activities, reporting to the EU level, and the evaluation of outputs and results.

No doubt, other types of activities in other fields may be related to the Lisbon Strategy. However, it is important to keep in mind that the analysis of the implementation processes of the Lisbon Strategy serves the purpose of identifying the conditions for Structural Funds' contributions. A relatively narrow definition of implementation serves this purpose well, allowing the case studies to identify the role of various ministries and agencies, the regional level, the social partners, etc. Furthermore, a narrow definition of the implementation of the Lisbon Strategy in no way prevents us from carrying out a broader analysis of the Structural Funds' contributions to the Lisbon Strategy's objectives.

The case study analysis of the national implementation of the Lisbon Strategy has rested upon an investigation of relevant policy documents, supplemented with interview data. As for the analysis of the regional implementation of the Lisbon Strategy, this has relied mostly on information which has been made available in personal interviews with relevant actors.

Analysis of the Contributions of the Structural Funds

The analysis of the Structural Funds' contributions to the Lisbon Strategy has consisted of two distinct elements. First, the principal differences and similarities of the Lisbon Strategy and the Structural Funds have been analysed, the analysis resting on the foundations of the analytical framework. Areas analysed include objectives, legal status, and governance structures of the two mechanisms, as well as the economic rationale and the underlying theoretical conceptions of economic growth and development of the two approaches.

Second, in the 15 case studies a detailed mapping of potential and actual Structural Funds contributions to the relevant themes of the Lisbon Strategy has been carried out. This has been done on the basis of relevant programming documents and by utilising the results of the recent mid-term evaluations of the various Structural Funds programmes. For each of the relevant Lisbon Strategy themes, cf. Annex 7, potential and actual Structural Funds *output contributions* have been registered: among other things whether relevant objectives and measures have been defined within the specific Structural Fund Programme, which financial resources have been allocated to these relevant measures, and – to the extent relevant data has been available - which actual contributions have resulted from implementation.

In analysing this information, each case study has sought to describe the overall character of the Structural Funds' contributions to the various Lisbon Strategy themes and the degree to which there is an overlap between the Lisbon Strategy themes and the Structural Fund interventions in each region or CSF-area.

Descriptions have also been provided on the character of those Structural Fund activities which do not fall within the Lisbon Strategy's objectives and themes and which might be affected if the Structural Fund interventions were to be aligned more directly with the Lisbon Strategy. The extent to which revisions of Structural Fund programming have taken place following the recent mid-term evaluations has also been analysed, and the question has been asked whether such revisions have directly or indirectly reflected the significance of the Lisbon Strategy.

Table 2.1 Typology of Structural Funds' Contributions to the Lisbon Strategy

Types of Structural Fund Contributions to the Lisbon Strategy		
Global Goal Realisation (output contribution)	**Specific Goal Realisation** (output contribution)	**Implementation Capacity** (process contribution)

Finally, on the basis of personal interviews with a number of relevant actors at the regional level, case studies have sought to identify *process effects* of the Structural Funds' contributions: To what extent have the operation of Structural Funds programmes in each region or CSF contributed to the region's or area's ability to implement the Lisbon Strategy? Have Structural Funds programmes for instance implied a professionalisation of the civil service in relevant ways, e.g. a strengthened capacity for strategic thinking and planning? Or have they facilitated patterns of partnership and cooperation which prove themselves relevant or potentially relevant for implementing relevant strategies or activities?

A Note on Sustainability

A note is needed on the concept of sustainability and its significance in the present context. As mentioned, the 2001 Gothenburg European Council incorporated a strategy for sustainable development into the Lisbon Strategy. In the context of the sustainable development strategy, sustainable development is defined in a broad manner – as "meeting the needs of the present generation without compromising those of future generations". Sustainable development implies the principle that the economic, social, and environmental effects of all policies should be examined in a coordinated way and taken into account in decision-making.

A thematic evaluation of the contributions of the Structural Funds to sustainable development has continued conceptual development along these lines (GHK 2002). The study established a broad conceptual framework in which 4 “pillars“ of capital are included in the assessment of sustainability:

1) Manufactured (or man-made) capital, broadly synonymous with economic infrastructure;
2) Natural (or environmental) capital covering all forms of ecosystems and natural resources that provide services for social welfare;
3) Human capital, relating to the stock of human productivity potential of individual people based on their health, motivation, talents, and skills;
4) Social capital, relating to the stocks of social trust, norms, and formal and informal networks that people can draw upon to access resources, solve common problems, and create social cohesion.

The study’s definition of unsustainable development lies in the trade-offs (increases in one form of capital at the expense of another form) occurring between different forms of capital. Thus, the challenge for public policy is to establish the existence and nature of trade-offs, and to engage in an explicit determination of whether declines in particular forms of capital are unsustainable by reference to the possible existence of critical thresholds and the acceptability of compensation implicit in the trade-off. Trade-offs that give cause for concern for the sustainability of development require policy responses (GHK 2002: iv).

The European Council’s definition of sustainability is ambitious and challenging, just as the thematic study on the contribution of the Structural Funds to sustainable development has provided valuable conceptual insights. Nevertheless, it appears that both approaches are still in need of significant operationalisation in order to be of more immediate relevance.

In the present study, sustainability has been construed in narrow terms as environmental sustainability. In the wording of the thematic evaluation of the contribution of the Structural Funds to sustainable development, sustainability thus pertains to the preservation or management of natural or environmental capital so as to prevent long-term depletion.

It must also be mentioned that in our analysis, the Lisbon Strategy is primarily a strategy for increased economic growth “with more and better jobs”. Sustainability – both in the narrow environmental sense and in the broader sense – is a condition that surrounds the main objective of economic growth: Increased growth should as far is possible be achieved in a sustainable manner. But environmental sustainability does not, in our interpretation, hold the same status in the Lisbon Strategy as increased economic growth.

This has several consequences for the study: In Chapter 4 the economic rationales of the Lisbon Strategy and the Structural Funds are analysed, but focus is on a particular aspect of these rationales: The dynamics of economic growth and the question of regional disparities of growth. Chapters 5 and 6 focus respectively on the implementation of the Lisbon Strategy and on the contributions of the Structural Funds to the Lisbon Strategy. The question of environmental sustainability is discussed in these connections in various respects, but as one among a number of important themes in the Lisbon Strategy, and most of these themes directly or indirectly address the objective of economic growth.

2.4. Structure of the Report

The report is structured in three sections. Section I analyses and compares the Structural Funds and the Lisbon Strategy as regards the two approaches' objectives, governance structures, and economic rationales and justifications. The purpose is to discuss the potential for stronger complementarities and synergies and the limits and risks in this respect.

Chapter 3 focuses on the political and legal status of the Lisbon Strategy and the Structural Funds and on the governance structure and the governance mechanisms involved in the two approaches. Chapter 4 concentrates on the economic rationales and justifications of the Structural Funds and the Lisbon Strategy, with attention focused on economic growth as a key objective in both approaches. The chapter asks to what extent and how the two approaches reflect the current consensus on factors facilitating economic growth, just as the trade-off between aggregate growth and regional equity is discussed.

Section II contains the analysis of the implementation of the Lisbon Strategy in the involved Member States, and an analysis of the contribution of the Structural Funds to the Lisbon Strategy.

To provide a background for understanding the Structural Funds' role and contribution, Chapter 5 describes the implementation of the Lisbon Strategy at both national and regional level. Key questions are: to what extent the Lisbon Strategy is a salient political programme in the involved Member States; what significance if any the Lisbon Strategy has had for priorities, reforms, and activities; the extent to which there is a coordinated and strategic approach to the achievement of the Lisbon Strategy's objectives; and, in relation to this, how work with the Lisbon Strategy's implementation is organised.

These are important questions in their own right. However, another reason for focusing on Lisbon Strategy implementation processes is a presumption that this is significant for how and in which ways the Structural Funds can contribute to the achievement of the Strategy's objectives. In this context, important questions are also how and to what extent the Structural Funds are considered in the Member State's activities for implementing the Lisbon Strategy, and how and to what extent the regional level and regional administrative structures are actively involved in the implementation of the Strategy.

Chapter 6 contains the analysis of the contributions of the Structural Funds to the Lisbon Strategy. In terms of prioritised investment, to what extent is there a congruence between the priorities and measures defined in the current round of Structural Fund programming and the relevant Lisbon Strategy objectives? Which elements of the Lisbon Strategy seem to be given higher priority than other elements in the implementation of the Structural Funds, and what differences are there is this respect between different types of regions? Turning to the reverse side of the coin, which activities falling outside the Lisbon Strategy's objectives are currently being supported by the Structural Funds and could potentially be affected if the Structural Funds were to be aligned more closely with the objectives of the Lisbon Strategy?

Chapter 6 also addresses the presumption mentioned above that the status of the Lisbon Strategy and the nature of work with the implementation of the Strategy affects the ways in which the Structural Funds can contribute, just as it asks whether the Structural Funds have generated process effects (e.g. abilities for strategic planning at regional level, increasing use of the partnership principle) that have affected the possibilities for achieving the Lisbon Strategy objectives at the level of the regions.

Section III contains the conclusions of the study and formulates a series of recommendations as regards the future relationship between the Lisbon Strategy and the Structural Funds.

Section I: The Lisbon Strategy and the Structural Funds: Rationales, Potentials, and Risks

3. Objectives and Governance Structures

This chapter describes and analyses the European Union's Lisbon Strategy and the Structural Funds programmes, focusing on the two approaches' legal status, objectives, and governance structure. The purpose is to analyse the complementarities and conflicts which presently exist between the Lisbon Strategy and the Structural Funds. This will make it possible to identify certain possibilities of increasing the complementarities in the future, but will also highlight some limits and risks in this connection.

3.1. The Lisbon Strategy[5]

History

The Lisbon Strategy was formally adopted at the Lisbon European Council in the Portuguese capital in March 2000, but elements of the strategy had developed for several years prior to this summit. The European Employment Strategy (EES) is, for instance, a set of objectives and methods which are today considered one of the key elements in the Lisbon Strategy. The EES process consists of the formulation by the Council of common lines of approach to both objectives and means, the "employment guidelines". Following up on the employment guidelines, each member state is to produce an annual national employment action plan that specifies member state objectives and planned actions, and an implementation report that indicates how the guidelines are being implemented. These national action plans are subject to review in the Council and the Commission. The Council may – on a proposal by the Commission – decide on concrete recommendations to all or particular Member States. Subsequently, the European Council decides on a set of employment guidelines for the following year.

Even though the core elements of the EES as it appears in the Lisbon Strategy today were developed in the so-called Luxembourg-process, agreed at the special European Council meeting on employment in 1997, a simpler version of these procedures had originally been agreed in 1994 at the European Council in Essen, and the method draws on experience from the multilateral surveillance of economic policies in the process of macro-economic convergence towards economic and monetary union.

Other elements of the Lisbon Strategy have also developed gradually. In the so-called Cardiff-process, adopted at the European Council in 1998, specific

[5] Here and in the following "the Lisbon Strategy" refers to the sum of relevant European Council decisions, including the "Gothenburg Strategy" for sustainable development.

ambitions were formulated as regards the functioning of capital and product markets. The Cardiff European Council thus agreed that Member States and the Commission should produce short year-end reports within their areas of competence on product and capital markets, with a view to exchanging best practice and ”complement[ing] the information already available in the national employment reports and other existing reports”.

The Lisbon Strategy as a Political Process

In contrast to the EU's Structural Funds, the Lisbon Strategy is a set of political ambitions rather than a firmly established programme resting on a well developed legal framework. The most fundamental objectives of the Lisbon Strategy are found the Presidency Conclusions of the European Councils, rather than for instance in treaties, regulations, or directives. The Presidency Conclusions is a political document with political rather than legal force. With the incorporation of the Lisbon Strategy's specific objectives into various EU policies and programmes, the Strategy is, however, increasingly being reflected within EU law.

Furthermore, the Lisbon Strategy has developed continuously since the 2000 summit. At European Councils in late 2000 and 2001, objectives regarding small and medium-sized enterprises have been added, and goals have been set regarding education policy and pensions reform. At the Gothenburg European Council in 2001, a set of environmental objectives were added, leading to the strategy formally being re-termed the ”Lisbon and Gothenburg Strategy”. Other objectives and targets in other fields have been specified in these Councils as well as in other European Councils. The overall objectives and other elements of the Lisbon Strategy are thus put together from a number of different sources.[6]

The Lisbon Strategy is, in other words, a process much more than a fixed set of objectives, priorities, and calls for action, for which reason it is increasingly being referred to as the ”Lisbon Agenda” in many official publications. Even though many basic objectives have remained constant during the years since the 2000 summit, others have been added or given more emphasis, and in the framework of the Lisbon Strategy calls for specific actions have been made at some European Councils, the results then being considered at later summits.

The Objectives of the Lisbon Strategy

The Lisbon Strategy does not in itself invent many new policy objectives. Most of the Strategy's objectives can be found in other EU policies or priorities, in identical or slightly different formulations. The objectives of employment creation and employability, of invigorating the internal market, of enhancing the information society, of promoting research and development and investing in people, and of sustainable development and the protection of the environment, are all reflected in a range of Community policies, in words if not always in action.

[6] cf. http://europa.eu.int/comm/lisbon_strategy/pdf/thematic_lisbon_conclusions_1203_en.pdf where the Commission has put together the relevant extracts from the various Presidency Conclusions.

Rather than a new set of policies, the Lisbon Strategy is therefore a re-launch and partial reformulation of a set of EU priorities as a coherent strategy, coupled with a set deadline for the achievement of these objectives (2010) and the introduction in a range of fields of new methods of implementation, the so-called Open Method of Coordination.

Opinions differ as to whether the Lisbon Strategy is a coherent European social market economy response to the challenge from the American market model (e.g. Rhodes 2000, Scharpf 2002, Sabel and Zeitlin 2003), whether it is itself a mainly neo-liberal enterprise (e.g. Radaelli 2003), something entirely different, or an altogether irrelevant and largely symbolic gesture. This reflects the fact that the Lisbon Strategy is so broad and multi-facetted that it is open to different interpretations.

However, based on the various Presidency Conclusions it is fair to state that the core of the Lisbon Strategy is a set of global objectives which the Union seeks to realise by the year 2010:

Box 3.1. The Global Objectives of the Lisbon Strategy

- a growing European economy
- an internationally competitive European business sector
- a knowledge-intensive European economy
- an economy with a high level of employment for both sexes and all age groups (70 per cent for all by 2010, 67 per cent by 2005, 60 per cent for women by 2010, 50 per cent for 55-64 year olds by 2010)
- an economy with a low level of social exclusion and poverty
- a social system which is financially sustainable in the medium and long term
- an economy which does not degrade health or the environment and which promotes safety

The overall ambition is to direct member state activities towards the creation of high-performance societies in various respects: Towards a knowledge intensive, high-growth and at the same time environmentally sustainable economy with employment for the great majority of the population in the working age and with financially sustainable social systems to care efficiently for the needy non-employed.

The objective of the strategy is to move the European Union and its Member States in the direction of a competitive, high-growth, high-employment and yet socially and ecologically balanced economy. It is a rationale of investment in growth, where regional or local concerns play only a minor role.

Under this heading, a large number of more specific objectives are formulated, often involving quantitative targets. In the context of the evaluation of the Structural Funds' contribution to the Lisbon Strategy, the most relevant objectives are those whose realisation involve or require the allocation of funds for investment or may be facilitated by such investment. This is because the Structural Funds by definition operate through the allocation of funds. Any contribution from them to the implementation of the Lisbon Strategy is therefore likely to be in those fields where investments and financial allocations are involved, are required, or may facilitate goal achievement.[7] These objectives concern the following themes (for a full list of the specific objectives in these fields please refer to Annex 1):

- The Overall Economic Policy Mix
- IT Infrastructure Investment
- Investment in Research and Development
- Investment in Human Capital
- Lifelong learning
- Skills for the information society
- Enlarging the workforce
- Increasing employability through active labour market policies
- Investment in Business Development
- Social inclusion
- Sustainable environmental development.

In addition, the various Lisbon Strategy documents define objectives for creating a fully operational internal market, including measures for the restructuring and increasing liberalisation of product and capital markets, for adequate and sustainable pensions, and for reform of the formal education systems of the Member States.

Governance Structure: The Significance of Open Coordination

The Lisbon Strategy is a set of political ambitions and objectives. It is also, however, an approach which involves a specific and innovative approach for achieving these objectives.

Several methods are brought into play for realising the Strategy, including the traditional Community Method of adopting EU regulations or directives with the involvement of Commission, Council, and Parliament, just as an effort is made across all EU policy areas to direct existing EU policies (Research & Development, Innovation policy, SME policy etc.) towards the achievement of the objectives. However, it is important that virtually all of the specific Lisbon Strategy objectives mentioned above are to be achieved to a large extent:

- through voluntary measures at Member State level;
- but in a context where each Member State has agreed in principle to global and specific objectives and to participate in common review and evaluation activities,
- where these objectives have to some extent been given form as quantitative targets,
- and where Community instruments (the Structural Funds but also, for instance, different kinds of awareness-raising and networking programmes and activities) may support this development.

[7] On the other hand, this does not imply that Structural Funds contributions to the Lisbon Strategy can only be in terms of the direct effects of Structural Funds interventions. There may be other indirect effects as well, but all contributions are likely to be related to the distribution/allocation of funds.

The framework for realising the above-mentioned elements of the Lisbon Strategy therefore first of all consists of the so-called Open Method of Coordination: a structure in which common goals defined with specific timetables are followed up by the exchange of good practices and in most cases also the development of quantitative indicators, periodical evaluation rounds, and peer review in which Member State progress towards the stated objectives is assessed.[8]

The most high-level annual evaluation round takes place at the Spring Councils, a special European Council meeting held in Brussels early every year with specific attention being devoted to the assessment of the implementation of the Lisbon Strategy at Member State and Union level. As a preparation for the Spring Councils, the Commission presents an overall assessment of progress towards the Lisbon Strategy objectives (e.g. Commission 2004a).

Table 3.1. The Open Method of Coordination in Selected Fields

	Treaty Base	Specific Objectives and Indicators	Peer review	Benchmarking	Recommendations	Relevant Council formation	Participation of social partners
Broad Economic Policy Guidelines	Art. 99	Guidelines and indicators	National Plans	Yes	Yes	EPC reporting to Ecofin	No
European Employment Strategy	Art. 128-130	Guidelines and indicators	National Action Plans and specific reviews	Yes	Yes	Employment Committee reporting to SALC	Social Partners
Social Inclusion	Art. 136-137	Objectives and indicators	National Action Plans	Yes	No	Social Protection Committee reporting to SALC	Participation of social actors and NGOs
Education	Art. 149-150	Objectives and some indicators	Only review of progress on indicators	Yes	No	Education, Youth and Culture	No
Information Society / eEurope Initiative	No Treaty base	Targets and Indicators	Only review of progress to targets	Yes	No	eEurope Steering group reporting to Telecoms	No

At lower levels, the Open Method of Coordination takes various shapes in the different policy areas concerned, cf. Table 3.1. The system has been most refined and institutionalised in connection with the European Employment Strategy mentioned above.[9] In this field, central guidelines are issued by the Council following a proposal from the Commission, and each Member State on this basis develops its National Action Plan for Employment.

[8] For descriptions and analysis of the Open Method of Coordination see for instance Hodson & Maher 2000; Jacobsson 2001a; de la Porte and Pochet (eds.) 2002; Radaelli 2003; Scharpf 2003; Sabel & Zeitlin 2003; Wessels 2003; Borras & Jacobsson 2004; Haahr 2004; Willams and Haahr 2004; and Dehousse (ed.) 2004.
[9] With the Amsterdam Treaty, the European Employment Strategy was codified in the Treaty Establishing the European Community (Title VIII, Articles 125-130).

The Guidelines and the National Action Plans cover a range of employment-related objectives. These objectives are also relevant for training and education policies and for business development policy. The 2003 Employment Guidelines, which will remain unchanged for three years following the decision of the Thessaloniki European Council of this year, are thus structured under three overarching objectives: full employment, quality and productivity at work, and cohesion and an inclusive labour market. Under these overarching themes, specific guidelines concern fields such as active labour market measures, human capital development, entrepreneurship, and labour tax regulation.

The National Action Plans serve as a report to the Commission and the other Member States on the status and progress of each State in relation to the Employment Guidelines. Based on the National Action Plans, the Council and the Commission annually develop a Joint Employment Report, just as the Council, acting by a qualified majority on a recommendation from the Commission, issues recommendations to individual Member States in specific fields.

There is also a system of guidelines and reporting regarding the overall economic policy mix and a range of other issues relating to economic policy. This involves the annual adoption by the Council of The Broad Economic Policy Guidelines as a reference document guiding the conduct of the whole range of economic policies in the Member States and the European Union, and the subsequent monitoring, on the basis of studies presented by the Commission and information provided by the Member States, of economic developments in the Union and the Member States.[10]

In the social inclusion policy field, a system is evolving which is similar in some respects.[11] In 2000 and again in 2002, the Council agreed on a set of common objectives, following up on the goals of the Lisbon European Councils to combat poverty and social exclusion. Since 2001 the Member States have developed and submitted National Action Plans for social inclusion every second year. They have a less standardised format than the Action Plans for Employment, and following the Treaty base of cooperation as regards social rights and social protection, the Commission's role is limited to that of facilitating the exchange of experience. This, among other things, consists in developing a summary report identifying good practice and innovative approaches of common interest to the Member States and in preparing, together with the Member States, a Joint Report on Social Inclusion for submission to the Spring European Councils.

In two other important fields of the Lisbon Strategy, education and development of the information society, open coordination is a process that is much less structured around comprehensive annual or bi-annual reports. As regards the

[10] The 1993 Maastricht Treaty first introduced a system for co-ordinating the economic policies of EU Member States. These provisions are now contained in Article 99 of the Treaty Establishing the European Community, as amended by the Treaty of Amsterdam. This Article states that "Member States shall regard their economic policies as a matter of common concern and shall co-ordinate them within the Council".

[11] The Treaty base for cooperation the field of social protection is first of all Articles 137 and 140 in the Treaty Establishing the European Community, as amended by the Treaty of Nice.

Lisbon Strategy's objectives for reforms of the formal education systems, a set of specific objectives were adopted by the Council in 2001, and in 2002 a work programme ("Education and Training 2010") was agreed with a view to realising these objectives.[12]

Subsequently, 12 different working groups, comprised of stakeholders and experts, have been working on one or more objectives of the work programme, supporting the implementation of the objectives for education and training systems at national level through exchanges of "good practices", study visits, and peer reviews. Indicators and benchmarks are being developed to monitor progress. The Commission has presented an interim evaluation of the implementation of the 2010 Education and Training programme, and the Commission and the Council have developed a joint report submitted to the 2004 Spring Council.

The eEurope Action Plans have been the key element for the development of the information society. The eEurope Action Plans can be seen as a set of objectives addressing the relevant authorities of the Member States to incite them to adapt their national policies according to the overall European objectives. The Action Plans are not public expenditure programmes and do not make new funds available. Rather, they aim to provide a policy framework within which existing expenditure at the Union and Member State level can be better focused, and to accelerate the adoption of relevant legislation.

The first phase of eEurope was the eEurope 2002 Action Plan, agreed at the Feira European Council in 2000. It focused on exploiting the advantages offered by the Internet and therefore on increasing connectivity. A total of 64 quantitative targets were to be achieved by the end of 2002, and achievement was successful for most of the targets. In June 2002, the European Council launched a second phase, eEurope 2005, which focuses on exploiting broadband technologies to deliver online services in both the public and private sector.

The Role of Other Community Policies for the Lisbon Strategy

The Lisbon Strategy can be seen as a re-launch and partial reformulation of a set of EU priorities as a coherent strategy, coupled with a set deadline for the achievement of these objectives and the introduction in a range of fields of a new method of implementation, the Open Method of Coordination.

In this context, the Lisbon Strategy clearly involves a broad set of already existing Community policies such as policies for the development of the Internal Market, policies on research and innovation, policies on SME's and, obviously,

[12] The EC Treaty (articles 149 and 150) provides a Treaty basis for cooperation between the Member States as regards Education, Vocational Training and Youth. However, the role of the Community is limited to contributing "to the development of quality education by encouraging cooperation between Member States and, if necessary, by supporting and supplementing their action, while fully respecting the responsibility of the Member States for the content of teaching and the organisation of education systems and their cultural and linguistic diversity" (Article 149). This means that Community actions are limited to incentive measures and recommendations.

the Union's Employment Strategy, which is now seen as a cornerstone in the Lisbon Strategy but which preceded it by several years.

A number of Community policies are therefore important in connection with the Lisbon Strategy (cf. also Commission 2004c, part 3). This is the case at the level of European Council decisions which may pertain to the reforms and activities that are necessary at the Union level and to those required at Member State level. With a view to realising the Lisbon Strategy, the European Council may thus choose to formulate conclusions that concern both Community policies and instruments and areas where the Member States need to act within their national contexts:

- In the framework of the Union's institutions, the Council needs to complete new regulation on taxes, it needs to open up the internal market for services in new sectors, etc. in order to realise the Lisbon Strategy's objectives
- At the Member State level, each Member State needs to address the question of skills and training for the knowledge society, to increase spending on research and development, etc.

The present study analyses the significance of the EU's Structural Funds and their contribution to the Lisbon Strategy. In this context, a review of the National Action Plans for Employment suggests that at the level of the Member States, the implementation of the Lisbon Strategy is not significantly influenced by other Community policies. The Community's SME-priorities, its research and innovation policies, the CAP, and all the other policies which might seem relevant in the overall context of the Lisbon Strategy, do not figure prominently in the various national plans and strategies. The only Community policy instrument frequently mentioned in the Employment Action Plans is the European Social Fund, which is seen as a relevant instrument for achieving various objectives.

The findings of the case studies, which are reported in more detail later, are in line with this. The Lisbon Strategy is generally seen as a set of objectives defining the broad direction in which Member State policies should seek to move developments. Other Community policies are not mentioned as key factors in this connection, neither as stumbling blocks nor as facilitating factors.

This does not mean that EU policies are of no significance for the Member States' development in various respects. Rather, from the point of view of each Member State, the EU's policies would seem more as a set of external framework conditions within which each Member State seeks to operate, or perhaps in specific instances as sources of inspiration for the development of new ideas and policies. The Lisbon Strategy thus appears to consist of two different and rather separate agendas for reform activities:

- One agenda is the EU agenda, the quest to gradually direct all relevant Community policies in a direction contributing to the objectives of realising by 2010 the most competitive and dynamic, yet inclusive and sustainable economy in the world.

- The other agenda is the Member State agenda, where each Member State has committed itself to working towards this overall objective, gradually undertaking reforms and focusing existing policies in new directions.

3.2. The Structural Funds

History

The Structural Funds have a longer history than the Lisbon Strategy. The creation of the European Social Fund and of the European Agricultural Guidance and Guarantee Fund was provided for in the Treaty of Rome. For the ESF the task was defined as "rendering the employment of workers easier and of increasing their geographical and occupational mobility within the Community". For the EAGGF, one objective was to address "the particular nature of agricultural activity, which results from the social structure of agriculture and from structural and natural disparities between the various agricultural regions".

The European Regional Development Fund, in turn, was established in 1975, following the membership of the United Kingdom in the European Community, with the objective of promoting the development and structural adjustment of regions whose development is lagging behind, and economic and social conversion of areas facing structural difficulties.

The cohesion principle, the principle that the Union should strive for a reduction of disparities between the levels of development of the Union's various regions, was introduced with the 1986 Single European Act, which added what are now Articles 158 and 159 of the EC Treaty. In contrast to the Rome Treaty, the SEA thus provided a legal basis for an approach to regional policy where the resources of the existing Funds could be combined and operationalised into multi-annual programmes, giving the Commission the power to formulate rules and regulations for the management of such development programmes (Leonardi 2004).

Finally, it was in connection with the third enlargement of the Union, completed in 1995, that two further financial instruments were established: the Cohesion Fund and the Financial Instrument for Fisheries Guidance (FIFG).

Today, there are four Structural Funds. These Funds in combination finance the different programmes under the current, 2000-2006 programming period: Objectives 1-3 and the four Community Initiatives. The Community initiatives are: Interreg III, funded by ERDF, which aims to stimulate cross-border, transnational and inter-regional cooperation; Leader+, funded by EAGGF, which promotes rural development through the initiatives of local action groups; Equal, funded by ESF, which provides for the development of new ways of combating all forms of discrimination and inequality in access to the labour market; and Urban II, funded by the ERDF, which encourages the economic and social regeneration of declining towns, cities and suburbs. In addition, the Cohesion Fund finances large-scale infrastructure and environmental protection investment in Member States with a GDP per person below 90 per cent of the EU average.

Table 3.2: Funds and Objectives, 2000-2006

	Objective 1	Objective 2	Objective 3
Funds concerned	ERDF ESF EAGGF-Guidance FIFG	ERDF ESF	ESF

With the 1999 regulation on the European Social Fund, an important development took place with respect to the ESF: The Fund was defined as an instrument for the implementation of the European Employment Strategy, thus providing an example of formal integration between the Structural Funds and what was later to become an important element in the overall Lisbon Strategy.

The Objectives of Programmes and Community Initiatives

The Structural Funds programmes Objective 1 and 2, the Cohesion Fund, and the Community Initiatives Leader+, Urban II, and Interreg, are predominately focused on providing support to specific *regions, spaces, or territories*.[13] They aim at a European economy of territorially balanced economic growth and limited inequality between regions. Such regions are defined by economic, demographic, or geographic criteria.

Objective 1. In the framework of the Objective 1 , the Structural Funds support the takeoff of economic activities in less prosperous regions of the Union by providing them with the basic infrastructure they lack, whilst adapting and raising the level of trained human resources and encouraging investments in businesses. Support is presently provided to regions covering 83 million European citizens. Eligible Objective 1 regions are: 1) NUTS II regions whose per capita GDP is less than 75 per cent of the Union average; 2) Finnish and Swedish regions covered by the former Objective 6 (development of regions with an extremely low population density); 3) the most remote regions (French overseas departments, the Canary Islands, the Azores and Madeira). Objective 1 has the largest allocation, accounting for approximately 70 per cent of Structural Fund appropriations, i.e. € 137 billion over seven years.

Objective 2 of the Structural Funds aims to revitalise all areas facing structural difficulties, whether these areas be industrial, rural, urban, or dependent on fisheries. Though situated in regions whose development level is close to the Community average, such areas are faced with different types of socio-economic difficulties that are often the cause of high unemployment. In this programme, support is presently provided to areas covering 68 million citizens.

[13] Interreg is somewhat special. It is predominately targeted towards specific territories insofar as it focuses mainly on border regions and cross-border cooperation in this context. However, it also comprises a strand (C) which includes objectives aiming at social as well as economic cohesion. For the sake of simplicity, we categorise it as an initiative targeting specific regions.

There are four main types of areas: 1) Industrial areas with an unemployment rate above the Union average, a higher percentage of jobs in the industrial sector than the Union average, and a decline in industrial employment. 2) Rural areas. Eligible areas must meet one of two criteria: a) A population density less than 100 inhabitants per square kilometer or a rate of agricultural employment equal to or higher than double the Union average, or b) an unemployment rate higher than the Union average or a decline in the population. 3) Urban areas, where eligible areas must meet one of five criteria: a long-term unemployment rate above the Union average, a high level of poverty, acute environmental problems, a high crime rate, or a low level of education. 4) Areas dependent on fisheries. Eligible areas must have a substantial percentage of the population employed in the fishing industry and, at the same time, a significant reduction in employment in this sector. The allocation for Objective 2 is 22.5 billion over the seven years of the programming period 2000-2006 (11,5 per cent of the total).

Leader+ promotes rural development through the initiatives of local action groups. *Urban II* encourages the economic and social regeneration of declining towns, cities, and suburbs. *Interreg III* aims to stimulate cross-border, transnational, and inter-regional cooperation in a number of fields.

The aims of the Structural Funds programme *Objective 3* and the Community initiative *Equal* are less directly connected to specific regions. Their predominant underlying objective is *social* cohesion, i.e. to tie the social fabric of the European Union together in various ways.

Objective 3 provides funding to help adapt and modernise policies and systems of education, training, and employment. Objective 3 covers the entire population of the EU outside the Objective 1 areas. There are four pillars to this objective: Employability, entrepreneurship, adaptability, and equal opportunities.[14] The financial allocation for Objective 3 is €24.05 billion over the seven years of the programming period (12.3 per cent of the total Structural Funds allocation). Equal provides for the development of new ways of combating all forms of discrimination and inequality in access to the labour market.

The Objectives of the Structural Funds

The European Regional Development Fund (ERDF), the European Agricultural Guidance and Guarantee Fund (EAGGF), and the Financial Instrument for Fisheries Guidance (FIFG), focus on development in regions whose development is lagging behind or areas facing structural difficulties.

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[14] The new Objective 3 of the Structural Funds for 2000-06 thus brings together the former Objective 3 (combating long-term unemployment, integration of young people into working life, integration of those threatened with exclusion from the labour market) and Objective 4 (adapting the workforce to changes in production). It is the reference framework for all the measures taken under the Employment Title inserted in the EC Treaty with the Treaty of Amsterdam and under the European Employment Strategy.

Box 3.2. The Global Objectives of ERDF, EAGGF-Guidance, FIFG, the Cohesion Fund, Leader+, and Urban II (funds with a regional focus)

- limited disparities between the levels of development of various regions and Member States
- a high level of employment
- equality between men and women
- protection and improvement of the environment
- balanced development and integration of the European territory not hindered by national borders.[15]

The Cohesion Fund also targets specific areas, but in a broader sense than the above-mentioned funds. Rather than supporting specific regions, it provides support on a Member State basis, financing specific transport and environment projects in the least prosperous Member States.

On the other hand, the European Social Fund (ESF) contributes financing to both regional (Objectives 1 and 2) and broader (Objective 3 and Equal) programmes and initiatives, which in total cover the whole of the European Union.

Box 3.3. The Global Objectives of the European Social Fund and the Community Initiative Equal (funds with a focus on social cohesion)

- a low level of unemployment,
- a high level of employment, facilitated through human resource development and economic growth,
- environmentally sustainable economic development,
- without discrimination in the labour market on the grounds of gender, race, ethnic origin, disability or age.[16]

Governance Structure

The Structural Funds have an elaborate and highly institutionalised structure of implementation. They operate via the appropriation of funds to specific programmes and projects. Implementation involves the European Commission, Member States, regional and local authorities, and social partners, in a ”bottom-up” process in which process programmes and projects are formulated and implemented locally.

General Principles

It is a common trait of the general principles guiding the implementation of the Structural Funds that they stress synergy between actions funded by the funds

[15] Based on Council Regulation (EC) No. 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds, Regulation (EC) No 1783/1999 of the European Parliament and of the Council of 12 July 1999 on the European Regional Development Fund, Council Regulation (EC) No 1263/1999 of 21 June 1999 on the Financial Instrument for Fisheries Guidance, Council Regulation (EC) No 1164/94 of 16 May 1994 establishing a Cohesion Fund, and Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF).

[16] Based on Regulation (EC) No 1784/1999 of the European Parliament and of the Council of 12 July 1999 on the European Social Fund, the Communication from the Commission to the Member States of 14.4.00 establishing the guidelines for the Community Initiative EQUAL, and Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions establishing the guidelines for the second round of the Community Initiative EQUAL, 30.12.03.

and other political actions. In principle, there should therefore be good possibilities for a contribution of the Structural Funds to the Lisbon Strategy, insofar as the implementation process is expected to ensure synergy at national, regional, and local levels. The general principles are:

- Partnership. The actions funded by the structural funds must be drawn up in partnership between the Commission and the Member State together with the authorities and bodies designated by the Member State, i.e. 1) the regional and local authorities and other competent public authorities 2) the economic and social partners and 3) other relevant competent bodies within this framework. This means that the process of preparation and implementation of the actions funded by the structural funds is expected to have an element of political pluralism involving public authorities, social partners, and other relevant partners.

- Subsidiarity. The implementation of assistance shall be the responsibility of the Member States, at the appropriate territorial level according to the arrangements specific to each Member State.

- Additionality. In order to achieve a genuine economic impact, the appropriations of the funds may not replace public or other equivalent structural expenditure by the Member State. For this purpose, the Commission and the Member State concerned must determine the level of public or equivalent structural expenditure that the Member State is to maintain during the programming period.

- Multiannual programming. Structural Fund support is provided within a multiannual framework, comprising mid-term evaluations and a mid-term review.

Steps of the Programming Process
The implementation of the Lisbon Strategy is largely based on a method of open and voluntary co-ordination between the Member States. Somewhat in contrast, the implementation of the Structural Funds is based on a long-term preparation and programming process, laying down strategies, priorities, measures, and allocation of financial resources, for a programming period of six years. An implication of this is that once the strategies and priorities of a programme have been set, there are limits to flexibility.

The preparation and implementation of the Structural Funds is a stepwise process. The main steps in this process are:

1) Geographical coverage and eligibility are designated. The Member State lays down the geographical level most appropriate for Objective 1, 2 and 3 respectively.[17]

[17] Plans submitted under Objective 1 must as a general rule, cover a single region at NUTS level II. 2. Plans under Objective 2 must comprise all the areas covered by a single NUTS level II region. Plans submitted under Objective 3 must cover the territory of a Member State outside the regions covered by Objective 1 and

2) Ex ante evaluation. For the preparation of the development plan, the ex-ante evaluation must analyse the strengths, weaknesses, and potential of the Member State, region, or sector concerned. The ex ante evaluation must verify the relevance of the proposed implementing and monitoring arrangements.

3) Preparation of development plan in consultation with partners. In respect to Objectives 1, 2 and 3, Member States must work out a plan[18] to the Commission. That plan must be drawn up by the competent authorities designated by the Member State at national, regional, and other levels - after consultation with the partners. The plans must include a description of the current situation with regard to disparities, gaps, and potential for development; the main results of operations undertaken in the previous programming period; a description the financial resources deployed; and an appropriate strategy to attain the selected objectives and the priorities.

4) Approval of plan. Each member state submits its plans. The Member State may also submit, at the same time as their plans, draft operational programmes. The Commission appraises and approves the programming document.

5) Programme complement. The Member State submits the programme complement to the Commission in a document for information. The programme complement details the assistance strategy and priorities at measure level. Implementation begins.

6) Mid-term evaluation. Carried out by the managing authority in cooperation with the Commission and the Member State.

7) Allocation of performance reserve. The reserve is allocated after the midterm assessment of the performance of each operational programme in terms of effectiveness, management, and financial implementation.

8) Ex post evaluation.

Implementation of the Community Initiatives

The Community initiatives (Interreg III, Leader+, Equal, Urban II) are developed and implemented in a bottom-up process in which the Member States submit programming documents taking into account the general guidelines laid down by the Commission. The procedures for preparation, approval, and implementation of the Community Initiatives, largely follow the same steps as the Structural Funds Programmes. Essentially, the main difference between the Community Initiatives and the Structural Funds Programmes is that the Community

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taking into account the general needs of areas facing structural problems of socio-economic conversion, must provide, for the whole of the national territory, a framework of reference for developing human resources.

[18] Community Support Frameworks may be defined as the document approved by the Commission following appraisal of the development plan submitted by a Member State and containing the strategy and priorities for action, their specific objectives, and the contribution of the European Regional Development Fund and other financial sources (Evans 1999: 267-270).

Initiatives address transnational and interregional cooperation, including geographical areas other than those covered by Objective 1 and Objective 2.

Similarly, identical overall principles (such as partnership and additionality) guide the programming process. The principles of management, monitoring, and evaluation, are also the same for the Community Initiatives as for the Structural Fund programmes: Member States must appoint a managing authority for each programme and set up a Monitoring Committee.

The Cohesion Fund
The Cohesion Fund finances projects designed to improve the environment and develop transport infrastructure in Member States whose per capita GNP is below 90 per cent of the Community average. As of the end of 2003, four countries met these conditions: Greece, Spain, Portugal and Ireland. Ireland ceased to be eligible for the Cohesion Fund in 2004, while the new Member States gained eligibility. Whereas the financial resources of the structural funds are allocated to priorities and measures under specific programmes, the Cohesion Fund grants funding for projects.

Projects must belong to one of two categories: Environment projects, i.e. projects that help to achieve the objectives of the Community's environmental policy, or transport infrastructure projects, i.e. projects to establish or develop transport infrastructure within the Trans-European Transport Network (TEN) or projects providing access to the TEN.

The procedure of preparation and implementation of the projects has some similarity with the bottom-up programming process of the Structural Funds. Its main steps are:

1. The eligible Member State submits application to the European Commission. The project proposal of the application must include an ex-ante evaluation and explain the selected project and what impact it will have on the environment.

2. The Commission then checks that all conditions for Cohesion Fund financing are met, including: the economic and social benefits generated by the project in the medium term, as demonstrated by a cost-benefit and/or cost-effectiveness analysis; the project's contribution to achieving Community objectives for the environment and/or the Trans-European Transport Network; compliance with the priorities set by the Member State; the project's compatibility with other Community policies; and consistency with operations undertaken by the Community Structural Funds.

The Member State is responsible for implementing projects, managing funds, meeting the timetable, and complying with the financing plan. The Commission makes regular checks, and all projects are subject to regular monitoring.

3.3. Lisbon and the Structural Funds: Complementarities and Conflicts

Two key questions are addressed in this section: 1) To what extent are there complementarities and conflicts between the objectives of the Lisbon Strategy and the Structural Funds and what are the characteristics of these complementarities and conflicts? 2) In terms of the legal basis and the governance structure of the Lisbon Strategy and the Structural Funds, what actual and potential complementarities and conflicts can be identified?

The Objectives of the Lisbon Strategy and the Structural Funds

A number of complementarities as well as some conflicts and dissimilarities between the global objectives of the Lisbon Strategy and the Structural Funds can be noted.

Areas of Complementary

Economic growth is a shared objective, as are the objectives of high employment and low unemployment. The Structural Funds and the Lisbon Strategy also share the premise that growth and development should not be achieved at the cost of environmental degradation. Economic development should be environmentally sustainable.

Social inclusion is to a great extent a shared objective for the Structural Funds and the Lisbon Strategy: The Lisbon Strategy aims for the reduction of poverty and for equal opportunities for being active in the labour market, for reducing gender gaps in employment and occupational segregation, and for reforming social protection systems so as to be financially sustainable in the medium and long term; The Structural Funds' emphasis is on equal opportunities between men and women and – in particular in connection with the Community Initiative EQUAL – on the elimination of discrimination on the labour market on the grounds of gender, race, ethnic origin, disability, or age. The objective of low unemployment, common for the Lisbon Strategy and the Structural Funds, can also be said to concern social inclusion.

Going through the various specific objectives of the Lisbon Strategy and the Structural Funds, a number of complementarities and overlaps also come to the fore. Thus, a detailed analysis of specific goals (the results of which are reproduced in Annex 3) reveals a high degree of complementarity as regards virtually all of those themes of the Lisbon Strategy which may be said to involve, require, or be facilitated by the allocation of funds for investment (employment, IT infrastructure investment, investment in research and development, investment in human capital/HRD, investment in business development, social inclusion, and sustainable development).[19]

[19] The only Lisbon theme where no immediate overlap is identified regards the Lisbon Strategy's objectives for the overall economic policy mix. However, those of the Strategy's objectives within this theme which involve the allocation of funds for investment concern the redirection of public expenditure towards capital accumulation – both physical and human – and support of research and development, innovation, and information technologies, as well as the reorientation of state aid from supporting individual industries or

In a later section we will discuss, based on the conducted case studies, the character of the Structural Funds' contributions to the Lisbon Strategy in these fields.

The Spatial Dimension
Even against this background of a high degree of complementarity, a number of important conflicts and differences must be highlighted. Most important is the question of the spatial dimension: If the Lisbon Strategy's vision is ”a dynamic, competitive and knowledge-based economy”, the fundamental vision of the Structural Funds is "an economically and socially cohesive Community", pointing to a concern for regional economic disparities.[20]

In terms of available funding, the most significant of the Structural Funds (ERDF, EAGGF-Guidance, FIFG, and the Cohesion Fund, plus the Community Initiatives Leader+ and Urban II) have an explicit spatial dimension to their objectives. Development is to be supported in specific Member States, regions, or spaces, either being defined by relative poverty, low population densities, remoteness, or structural economic weaknesses. The cohesion principle underlies this spatial prioritisation of support.

On the other hand, the spatial dimension plays a very minor role in the Lisbon Strategy. The strategy is defined as a strategy for the Europe Union as such ("The Union has today set itself a new strategic goal for the next decade…", Lisbon European Council Presidency Conclusions 2000), not for specific regions, states, or territories within the Union. Its objectives are defined for the Union as a whole, not for territories with specific needs or requirement. The goal is to lift the development of the European economy as such, in the context of the challenges and possibilities of globalisation, information technology, and the "knowledge society".[21]

The spatial dimension is not important for all of the Structural Funds, however. For the European Social Fund and the Community Initiative EQUAL, the conflict as regards the importance of this dimension is not significant. In the Objective 3 , and in the strands of the Objective 1 supported by the ESF, the European Social Fund for instance supports a high level of employment, facilitated through human resource development, business development support, and investment in human research, science, and technology potential throughout the Union. These objectives fit very well with the Lisbon Strategy's agenda.

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sectors towards tackling horizontal objectives, such as employment, regional development, the environment, and training or research. These underlying objectives largely overlap with Structural Fund objectives.

[20] Cf.Council Regulation (EC) No. 1260/1999 of 21 June 1999.

[21] Going through the European Council Presidency Conclusions on the Lisbon Strategy, spatial, regional concerns are mentioned only very infrequently, but they are not entirely absent. It is mentioned that the Lisbon Strategy is "designed to enable the Union to regain the conditions for full employment, and to strengthen regional cohesion in the European Union" (Lisbon European Council, March 2000). Regional development is also mentioned in connection with the need to redirect state aid (Lisbon European Council, March 2000) and an objective of reducing regional employment disparities was defined in 2003 (Brussels European Council).

Against this background, it appears logical that the European Social Fund has been defined as a primary instrument for implementing the European Employment Strategy. This is done in the 1999 ESF Regulation[22] and it is also a viewpoint which can be identified in various National Action Plans for Employment.

The Character of Objectives
A second point of conflict between the Lisbon Strategy and the Structural Funds concerns the level of operationalisation of the various objectives in the two approaches.

Although the Cohesion Fund targets two specific investment fields rather narrowly, it is characteristic of the Structural Funds that their objectives are formulated in broad terms, as themes within which eligible activities can be supported, rather than as operational targets. This fact is related to the decentralised implementation system of the Structural Funds programmes. Within the given broad objectives and eligibility criteria, it is up to the Member States and the regions to define operational priorities and targets in a bottom-up process which is to take into account differences in the regional contexts and needs.

Some of the Lisbon Strategy's objectives are also broad. This goes for the global objective of turning the Union into the most dynamic and competitive knowledge intensive economy in the world by 2010 and several other of the Strategy's objectives.

However, in addition to these global objectives the Strategy involves a series of very operational investment and development targets, for instance an objective of increasing overall spending on R&D and innovation in the Union to 3 per cent of GDP by 2010 (Barcelona European Council 2002), and an objective of developing schools and training centres into multipurpose local learning centres accessible to all (Lisbon European Council 2000).

Some of these operational, quantitative objectives follow logically from the Lisbon Strategy's Open Method of Coordination: Quantitative targets facilitate systematic comparison across Member States in order to check progress. However, the operational character of many of the Strategy's objectives also highlights the fact that compared to the Structural Funds, the Lisbon Strategy relies more on a top-down approach. Its mechanisms for implementation are decentralised, but the objectives which are to be implemented de-centrally are in some respects so specific that there is little room for an adaptation at national or regional level to specific national or regional requirements.

The Significance of Physical Infrastructure
A third point of conflict between the objectives of the Structural Funds and the Lisbon Strategy concerns the question of investment in physical infrastructure.

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[22] Regulation (EC) No 1784/1999 of the European Parliament and of the Council of 12 July 1999 on the European Social Fund.

In the context of its emphasis on information technology and the information society, the Lisbon Strategy mainly places emphasis on investment in IT-infrastructure (“widespread access to inexpensive, world-class communications infrastructure for businesses and citizens”, widespread deployment of broadband by 2005). At the Brussels 2003 European Council, Trans European Networks were incorporated into the Lisbon Strategy as an instrument for promoting economic growth. Still, physical infrastructure plays a minor role compared to the Strategy emphasis on deregulation, the creation of favourable regulatory conditions for business development and entrepreneurship and increased investment in research and development, education and human resource development.

In contrast this are the Cohesion Fund and the Structural Funds under Objective 1. The Cohesion Fund finances physical transport and environmental protection infrastructure projects. Objective 1 provides significant support to the development of physical infrastructure such as highways, railroads, bridges, tunnels, and waste treatment, and to telecommunications and energy. It does so mainly in the least prosperous regions of the Union. Among the regions covered by the present study, the Objective 1 regions in Italy, Spain, Portugal, Germany, and Greece, for instance, have a GDP per capita which is between 29 and 46 percentage points lower than the EU15 average. Among the studied CSF-regions, Greece, Portugal, and the new German Länder have GDP per capita ratios of between 67 and 71 per cent of the EU15 average.

Table 3.3. Key Structural Indicators for Selected Objective 1 Case Study Regions[23]

Regions /CSF Area	GDP/capita PPS (2001) (EU15=100)	Total employment rate (2002) (EU 15=100)	Total unemployment rate (2002) (EU15=100)
Extremadura (E)	54	79	246
Norte (P)	57	106	63
Campania (I)	65	65	271
Sachsen-Anhalt (D)	65	93	301
Attiki (EL)	71	89	118
Greece	67	88	128
Portugal	71	106	65
Neue Bundesländer	66	95	273

Source: Commission (2004d).

In contrast, among the studied regions which receive Objective 2 support the level of relative prosperity and employment rates is significantly higher and unemployment in most cases significantly lower (table 3.4).

[23] Two Objective 1 – case study regions/areas are omitted in the table, since they are atypical for the regions that receive objective 1 support: The region of Norra Norrland (S) and the Republic of Ireland. Norra Norrland is atypical since its eligibility criteria is low density of population, the Republic of Ireland is atypical since economic growth has been so strong during the past decated that the country would not be eligible for Objective 1 support today.

Table 3.4. Key Structural Indicators for Objective 2 Case Study Regions[24]

Regions /CSF Area	GDP/capita PPS (2001) (EU15=100)	Total employment rate (2002) (EU 15=100)	Total unemployment rate (2002) (EU15=100)
Western Scotland	94	104	101
Bornholm	82	107	123
Niederösterreich	92	109	45
Aquitaine	95	96	118
Satakunta	98	101	167

Source: Commission (2004d), Statistikbanken Denmark, and the Satakunta Case Study report.

Legal Basis and Governance Structures: Complementarity or Conflict?

The Lisbon Strategy's objectives are only partially codified in the EC Treaty. The Treaty provides a legal basis for the structures and activities that are currently in place in relation to the Open Method of Coordination in the various policy fields, as well as for the activities of the Lisbon Strategy that involve the traditional Community Method. However, the overall objective of turning the Union into "the most dynamic and competitive knowledge based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion" by 2010 is not a part of the Treaty.

There is a legal basis for open coordination in most of the fields covered by the Lisbon Strategy, just as elements of the Lisbon Strategy involving more committing procedures and a stronger role for the Commission have a Treaty base. This applies to procedures on monitoring of the overall economic policy and to the European Employment Strategy. But the Lisbon Strategy as such does not have a Treaty base.

In contrast, the overall objectives of the Structural Funds are enshrined within the EC Treaty: The Treaty's Article 2 thus states that "the Community shall have as its task […] to promote economic and social cohesion and solidarity among the Member States", just as Article 158 states that "the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands, including rural areas". Article 159 furthermore makes clear that the "formulation and implementation of the Community's policies and actions and the implementation of the internal market shall take into account the objectives set out in Article 158 and shall contribute to their achievement" and that "[t]he Community shall … support the achievement of these objectives by the action it takes through the Structural Funds". Together, these formulations are the closest the Treaty comes to a definition of a "cohesion principle" for the European Union (cf. Evans 1999: 1-2, 19-21).

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[24] The GDP/capita figure for Western Scotland is data on South Western Scotland. Data for Bornholm is calculated on the basis of GDP/head (2001 PPS) for Denmark and the relative difference between GDP/capita 2001 for Bornholm and Denmark. Source: Third Cohesion Report and Statistikbanken, Danmarks Statistik. GDP/capita data for Satakunta is calculated on the basis of GDP/head (2001 PPS) for Finland and the relative difference between GDP for Satakunta and Finland. Source: Third Cohesion Report and http://www.satakunta.fi/inenglish/economy.html. Employment and unemployment data for Satakunte is based on information provided in the Finnish case study report.

The differences in legal basis are reflected in different governance structures. Some of the Lisbon objectives are precise and operational, implying a comparatively centralised approach, but the instruments for ensuring compliance with the objectives are weak, consisting mainly of peer review, benchmarking, and the regular publication of results in terms of goal achievement. This does not mean that these instruments cannot have an effect, but their effect is likely to be more indirect and long term than if stronger instruments had been available.

In contrast, the Structural Funds have a much more developed governance structure supported by stronger governance instruments. A firm legal basis and the Union’s own budget permit the Structural Funds to allocate funds to different purposes. Member States and regions are obliged to adhere to a range of procedures and to obtain approval by the Commission before funds can be released. In this way the Structural Funds have the possibility of affecting relevant actors and economic structures at Member State or regional levels, both via the effects produced by the implementation of supported activities (output effects) and via the effects on the behaviour of relevant actors which may result from their involvement in elaborate procedures of strategic development planning.

Stronger Complementary between the Structural Funds and the Lisbon Strategy?

Based on these observations of the objectives, the legal basis, and the governance structures of the Structural Funds and the Lisbon Strategy, what potential possibilities could be identified for increasing the complementarities and synergies between the two approaches?

A Core of Consensus: Growth, Inclusion, and Environmental Sustainability

The substantial complementarities which currently exist between many of the objectives of the Lisbon Strategy and the Structural Funds highlight that the two approaches are not pursuing entirely different agendas. The Lisbon Strategy is a manifestation of a European consensus on fundamental political objectives as of the year 2000, against the background of the perceived challenges and possibilities arising from increasing international trade and division of labour and new technological developments. The Structural Funds are a manifestation of a concern – for social and economic cohesion – which became more salient from the mid-1980s until the mid-1990s, in connection with the realisation of the Single Market project and the second and third waves of EU enlargement. Since the cohesion principle is today an integral part of the Union’s Treaty base, this concern is deeply embedded within the Union’s institutions and structures.

Yet the Lisbon Strategy and the Structural Funds both reflect and share a broader European political consensus. This is a consensus that economic growth, improved competitiveness and increasing employment have priority, but that higher growth should go hand in hand with social inclusion and environmental sustainability. This means that in numerous respects, the Structural Funds can contribute to the achievement of objectives which are also objectives of the Lisbon Strategy.

However, when considering ways in which synergies and complementarities between the Structural Funds programmes and the Lisbon Strategy can be better exploited, and focusing on objectives and governance structures, certain issues and questions arise:

Structural Fund Adjustment Must Realistically Respect the Cohesion Principle
The Structural Funds do not fully conform with the Lisbon Strategy. The objective of regional cohesion is central to the Structural Funds but not to the Lisbon Strategy, and the cohesion principle has a firmer legal basis than the objectives of the Lisbon Strategy.

From a political feasibility point of view, this in effect means that efforts to increase synergies and complementarities between the Structural Funds programmes and the Lisbon Strategy must respect the cohesion principle. If we assume that the Lisbon Strategy is an all-Union strategy for increased growth which does not place emphasis on the regional distribution of growth, the Structural Funds could be adjusted to focus on investment with a promising growth potential, regardless of the geographical or spatial location of these investment opportunities. However, this would require unrealistic Treaty revisions.

Respecting the Cohesion Principle and Adjusting Objectives to the Lisbon Strategy?
Even if the cohesion principle is to be respected, there are possibilities of increasing the complementarities and synergies between the Structural Fund programmes and the Lisbon Strategy. More could be done to reflect and prioritise the objectives of the Lisbon Strategy in the regulations guiding the implementation of the Structural Fund programmes, and the Member States and regions could be required to take the objectives of the Lisbon Strategy into account in the programming process.

Elements of this approach are indeed found in the Commission's July 2004 proposals for Structural Fund regulations governing the programming for the period 2007-2013.[25] However, whereas the Commission's July 2004 proposals give attention to the Lisbon Strategy's objectives and in several instances incorporate the specific wording of several Lisbon Strategy objectives directly into the regulation, there are few significant changes in the scope of activities that may obtain support. As for the ERDF, for instance, more emphasis is placed on the proposed regulation on support for entrepreneurship and innovation than on the regulation for the period 2000-2006. However, the ERDF can still support

[25] „The Commission proposes that actions supported by cohesion policy should focus on investment in a limited number of Community priorities, reflecting the Lisbon and Gothenburg agendas, where Community intervention can be expected to bring about a leverage effect and significant added value. Accordingly, for the operational programmes, the Commission proposes a core list of a limited number of key themes as follows: innovation and the knowledge economy, environment and risk prevention, accessibility and services of general economic interest. For employment related programmes, the focus will be on implementing the reforms needed to progress towards full employment, improve quality and productivity at work, and promote social inclusion and cohesion, in line with the guidelines and recommendations under the European Employment Strategy (EES)" (Commission 2004d: 5).

activities which do not fall within the Lisbon Strategy's objectives, such as transport infrastructure (which is only a part of the Lisbon Strategy as regards TENs and measures which reduce the share of road transport), tourism development, and cultural heritage support.

The formal complementarity between the Structural Funds and the Lisbon Strategy could be further increased if the Lisbon Strategy's priorities to a greater extent were to take precedence over the existing priorities of the Structural Funds and hence to push out some of the activities which are currently eligible for support. In our judgement this may, however, be a risky strategy which could at least indirectly contradict the cohesion principle and which would conflict with the bottom-up governance structure of the Structural Funds. The first of these points will be addressed further in Chapter 4.

Some Operational Lisbon Targets Contradict the SF Bottom-Up Approach
As for the second point just mentioned, some of the Lisbon Strategy's objectives are so specific and operational that a very close alignment of the Structural Funds to them would imply a conflict with the Structural Fund programmes' bottom-up approach. The current governance structure and programming process of the Structural Fund programmes rely on the Member States and the regions to formulate development strategies on the basis of the strengths, weaknesses, and opportunities of the regions in question. However, objectives of raising R&D expenditure to 3 per cent of GDP, of redirecting public expenditure towards support of research and development, innovation, and information technologies, of turning schools and training centres into multi-purpose local learning centres, or of establishing broadband internet connections for all public administrations by 2005, are examples of operational targets which do not take into account the particular strengths, weaknesses, and structural opportunities of individual regions.

Learning from the Governance Structures of the Structural Funds
The section above has considered possibilities and risks in relation to a closer alignment of the Structural Funds to the Lisbon Strategy, with a view to increasing synergies and complementarities between the two approaches. The reverse possibility could also be contemplated, however. Are there elements in the set-up of the Structural Funds which could contribute to the further development and the implementation of the Lisbon Strategy?

The governance structure of the Structural Funds could be seen to highlight some weaknesses of the Lisbon Strategy. The Structural Funds systematically operate a strategic planning approach, and the implementation of this approach is underpinned by the availability of relevant legal and financial instruments. In many of the Lisbon Strategy's areas, there appears in contrast to be only weak legal instruments and very limited financial instruments available, just as the Strategy as such does not have a Treaty base. Neither can the Lisbon Strategy, its title notwithstanding, be seen to reflect a systematic strategic planning approach involving for instance in-depth analysis of challenges, strengths, and weaknesses at Union and Member State levels, or analyses of available policy options and the development on this basis of unified action plans. There are elements of strategic planning in the Strategy's open method of coordination (for instance in the development of the National Action Plans for Employment), but as a consequence of the weaknesses of the legal and financial instruments available for the Lisbon Strategy, the real political significance of these elements can be questioned. We shall return to this theme in subsequent sections.

No doubt, these characteristics of the Lisbon Strategy reflect political concerns for subsidiarity and national sovereignty in sensitive fields, as well as the fact that the Lisbon Strategy is a political compromise which must address different concerns.

However, it is necessary to emphasise that there is a contradiction between the extremely ambitious overall objectives of the Lisbon Strategy on the one hand and the structures and instruments with which these objectives are to be realised on the other hand. In 1958, the Member States of the EC agreed on an objective that was perhaps in some ways just as ambitious as the Lisbon Strategy, namely the establishment of a common market and a customs union within a period of 12 years – a period which was subsequently shortened. But as opposed to the case for the Lisbon Strategy, this objective and the procedures which should allow for its realisation were described in detail within the Rome Treaty itself, and several mechanisms were in place for ensuring Member State compliance, including mechanisms of automaticity (see also Griffith and Milward 1986). Following the Maastricht Treaty, a similar approach was brought into action with the realisation in stages during the 1990s of the Economic and Monetary Union.

The Lisbon Strategy does not have an equally firm procedural basis, nor does it have, in contrast to the Structural Funds, its own financial instruments. Evidently, it is perfectly legitimate for the European Council to formulate ambitious objectives. However, as long as intentions on a European scale are not matched with corresponding instruments, there is a risk that disappointment and disillusionment will be the eventual result. On the other hand, it can be questioned whether the Member States would be willing to equip the Union with new instruments in areas which have hitherto been the exclusive domain of the Member States.

4. Growth and Regional Development: The Economic Rationales of the Lisbon Strategy and the Structural Funds

This chapter focuses on the economic rationales of the Structural Funds and the Lisbon Strategy. The purpose is to analyse the strategies of economic growth and development which underpin the Lisbon Strategy and the Structural Funds respectively, and to discuss the potentials and risks of closer integration of the two approaches against this background.

In connection with the analysis, we have assumed that economic growth is the key objective of both approaches. This is a simplification, but it is a useful and relevant simplification. In the case of the Structural Funds, growth is clearly linked to the goal of social and economic cohesion, which is understood to include narrower income and employment disparities across EU regions.

There is currently a broad consensus about the basic preconditions for economic growth (cf. Commission 2004c: 36-37). At the macro-level, these preconditions include a macro-economic environment conducive to growth, employment and stability, and a tax and regulatory system which encourages business and job creation. The macro-economic environment should ensure low and stable inflation rates, and fiscal deficits should be limited to avoid crowding-out effects on private investment, higher interest rates, and pressures on exchange rates. Taxes should be non-distortionary, and regulation should facilitate the functioning of product and capital markets.

At the micro-level, two complementary sets of conditions need to be satisfied. The first is the existence of a suitable endowment of both basic infrastructure (such as efficient transport, telecommunications and energy networks, good water supplies, and environmental facilities) and a labour force with appropriate levels of skills and training. The second set of conditions concerns ‘intangible’ factors, more directly related to business competitiveness factors than the first set. They include, *inter alia*, the capacity of economies to generate, diffuse, and utilise knowledge and so maintain an effective national or regional innovation system; a business culture which encourages entrepreneurship; and the existence of cooperation networks and clusters of particular activities.

A different way of framing this consensus is a) that growth is the result of the accumulation of many different types of capital and b) that some of these forms of capital have public goods characteristics and generate positive externalities, for which reason government intervention may be justified in order to ensure an adequate level of investment.[26]

[26] Meade (1973) defines externalities as consequences that arise from situations where actions of one agent or group of agents affect the production or well being of others in the economy, especially the welfare of people who are external to that decision. In other words, people who are not fully consenting parties in production decisions, as they are in sales and purchases, are impacted by outputs of production. Thus externalities constitute economic “spillovers”.

Against this background, the chapter addresses the following questions:

1. To what extent and how do the Lisbon Strategy and the Structural Funds reflect this consensus?
2. To what extent is there a trade-off between growth and redistribution? A key difference between the economic objectives of the Lisbon Strategy and the Structural Funds that the former focuses on overall growth whereas the latter focuses on the promotion of cohesion via growth in selected areas.
3. In light of the above, what can be said about the approach to different investment strategies with a view to increasing synergies between the Lisbon Strategy and the Structural Funds?

4.1. The Growth Approaches of the Lisbon Strategy and the Structural Funds

4.1.1. The Lisbon Strategy

Several basic characteristics of the Lisbon Strategy serve to define its overall approach to the promotion of economic growth. First, the Lisbon Strategy is a strategy for public policy. It is based on the implicit assumption that public intervention can contribute positively to economic growth, and indeed that public policy interventions are needed to stimulate growth.

Second, a number of the public policy interventions advocated by the Lisbon Strategy concern market liberalisation and deregulation: Policy action is needed in order to improve the functioning of product and capital markets and markets for services. Third, however, policy action is needed to increase total factor input, as reflected in the focus on increasing employment rates and re-directing public expenditure towards increasing the relative importance of capital accumulation: Policy action is also needed in order to increase investment in a number of specific fields.

Fourth, economic convergence is not a primary concern. The focus as regards economic development is on the overall growth rates and competitiveness of the European economy.

Finally, there is a focus on the role of fiscal discipline and fiscal sustainability. Macroeconomic policies should be stability-oriented, and structural policies (improving the functioning of markets, improving the framework conditions for enterprises) are correspondingly important.

Goods with externalities may also be public goods. This is so since externalities are by definition consequences which are ”non-excludable”. A perfect public good is defined by a) non-excludability and b) non-rivalry in consumption, cf. Samuelson (1954). Non-excludability means that the good’s consumption by one person does not exclude consumption by others. Non-rivalry in consumption means that consumption by one person does not reduce the availability of a good to others.

Emphasis on Human Capital Development, R&D, and Innovation

The Lisbon Strategy therefore represents a strategy in which public intervention can affect economic growth positively and where public policy intervention is needed, not just to establish the preconditions for well-functioning markets and the free flow of factors of production in the EU but also to ensure necessary investment.

Specifically, as regards human capital investment, the Strategy emphasises a general substantial increase in per capita investment in human resources, it sets up targets for an increasing level of educational attainment in the Member States' populations, it gives priority to life-long learning, and it specifically defines a number of objectives for "skills for the information society", just as "entrepreneurial skills" should be promoted via investment in training and education.

Moreover, there is a strong emphasis on research and development in the Strategy, in general and in particular as regards information technology. It is inherent in the overall objective of creating a "knowledge-based economy"; specifically, the Member States have agreed to seek to increase expenditure on research and development to 3 per cent of GDP by 2010, of which 2/3 is to be private sector expenditure, to improve coordination between public and private-funded research and make increased use of Structural Funds for R&D projects. , The EU should take a leading role in developing and applying environmental technologies; technology dissemination towards small enterprises as well as the capacity of small business to identify, select, and adapt technologies should be promoted; and under the heading "a European Area of Research and Innovation" several other fields of action are defined for increasing the quality and dissemination of research results and accessibility to them across the EU Member States (Presidency Conclusions, Lisbon 2000 and Gothenburg 2001).

Lisbon's focus on investment in human capital development, research and development, and IT infrastructure, reflects an assumption that some government spending is productive, i.e. will increase the marginal productivity of capital (cf. Barro 1990, 1997).

Innovation is also specifically highlighted in the Lisbon Strategy, both in connection with the emphasis on investment in research and development, and as an objective that reforms of regulatory framework conditions both can and should facilitate.

The Lisbon Strategy thus rests on assumptions that there are positive externalities connected to human resource development and research and development, and that public intervention in these fields is justified to correct for the underinvestment that would result if investment decisions were left to private actors.

The emphasis on networking national and joint research programmes and on facilitating research networks and the mobility of researchers in the objective of establishing a European Area of Research and Innovation also reflect a belief in the significance of international knowledge spill-overs (cf. e.g., Aghion and Howitt 1998, Coe and Helpman 1995).

The Status of Economic Convergence in the Lisbon Strategy

Economic convergence between the regions and economies of the European Union is not a primary objective in the Lisbon Strategy. There are references in the Strategy to a strengthening of regional cohesion and to the redirection of state aid towards, *inter alia*, regional development purposes (Lisbon Presidency Conclusions 2000). In 2003, a reduction of regional employment disparities was furthermore defined as an objective (Brussels European Council 2003). However, in the context of the overall strategy these objectives are not central.

At the same time, it is inherent in the Lisbon Strategy that public policy intervention can affect the growth trajectories of economies. Indeed, the Lisbon Strategy as such can be seen as a political response to economic challenges from the United States and the East Asian countries, and it aims to lift the aggregate growth rate of the EU through a range of policy interventions.

Against this background, the question can be asked whether there is an inconsistency between the foundations and the priorities of the Lisbon Strategy. On the one hand, the Strategy to a great extent relies on an understanding of economic growth according to which growth can be affected by policy interventions and institutional developments and where unequal development is therefore possible. This also opens up the possibility that unequal development can increase within the EU and between the Union's regions. On the other hand, the question of regional economic disparities and regional cohesion is not placed very centrally in the Strategy.

The Lisbon Strategy does not provide an explicit answer as to the extent to which market forces are set to lead to a balanced regional development. It is a likely explanation that in the Union's policies, the objective of regional cohesion is seen to be addressed first of all by the Structural Funds. The existence of the Structural Funds and the Union's cohesion policy thus makes it possible for the Lisbon Strategy to focus more clearly on the question of overall economic growth. To the extent this explanation holds true, it is an argument for maintaining a clear distinction between the objectives of the Structural Funds and those of the Lisbon Strategy and for allowing the priorities and instruments of the two approaches to differ accordingly.

A European Reflection of the Growth Consensus

The better functioning of markets and the free flow of factors of production within the Union is one cornerstone of the Lisbon Strategy. The Strategy's second element, its emphasis on public intervention and public investment in R&D and diverse aspects of human resource development, aligns the Strategy rather closely with newer, so-called endogenous and evolutionary theories of growth (e.g. Romer 1986a, 1986b, 1987, 1990; Nelson 1998). In these growth theories there is an emphasis on growth as the result of positive externalities of knowledge acquisition and innovation.

In relation to the current growth consensus, the low significance accorded to basic infrastructure investment is notable, especially taking into account the accession of 10 new member states in 2004 with well-known shortcomings in their infrastructure endowment. The European Council in 2003 mentioned Trans-European Networks in connection with the Lisbon Strategy, but apart from this the Lisbon Strategy's only mention of infrastructure is in connection with IT-infrastructure.

4.1.2. The Structural Funds

The two most important objectives of the Structural Funds are social and economic cohesion and economic growth. The objective of economic cohesion concerns a reduction of economic disparities between the various Member States and regions of the Union. It is to be achieved through measures that promote economic growth in selected areas. This section considers the economic rationale that is reflected in the Structural Funds' regionalised bottom-up approach to investment priorities.

The Bottom-Up Approach: Considering Uncertainty and Regional Diversity

The Structural Funds primarily apply the instrument of investment subsidies to achieve their objectives.[27] Investment support is provided to public investment in the form of support to various types of physical or human capital investment. The balance between subsidies to different types of investment varies between the Structural Fund programmes, and it also reflects the prioritisations made at the level of Member States and regions in the Community Support Frameworks and the underlying programming documents.

The fact that investment priorities vary between Member States and regions in the implementation of Structural Fund programmes is important: The economic rationale of the Structural Funds reflects an understanding that there are very diverse investment needs and by implication very diverse returns on different types of investment in the various Member States and regions of the Union.

The Structural Fund programmes at this level reflect an understanding that the character of regional growth potentials may differ. Within the overall guidelines and eligibility criteria of the Structural Funds, it is up to the Member States and the regions to suggest prioritisations. This is done on the basis of analyses of regional strengths and weaknesses, and opportunities and threats, and by permitting individual Member States to prepare their own individual Community Support Frameworks and Operational Programmes following the guidelines of the Commission.

[27]Structural Fund support is provided on the condition of significant Member State co-financing, either public or private, for which reason the term subsidy is relevant.

This bottom-up approach is in accordance with an understanding found in institutional, evolutionary theories of economic growth (e.g. Nelson 1998) that uncertainty is important. Evolutionary approaches argue that to understand growth one must take into account unquantifiable uncertainty. The Structural Funds' approach can be seen as maintaining that if investment priorities are to take account of uncertainty, they must be decided upon at the regional level where there is more and better knowledge of the specific regional conditions.

Cohesion Policy as a Policy for Economic Growth

A second point regarding the Structural Fund's growth strategy concerns the relation between growth and cohesion. In the Commission's argumentation (Commission 2004c: 28-30), the Union's cohesion policy is also a policy for aggregate growth, whereby any trade-off between growth and a reduction of regional disparity is eliminated.

Thus, the Third Cohesion Reports states that "territorial disparities cannot be ignored, since […] they affect the overall competitiveness of the EU economy. Covering costs of congestion or treating the social consequences of disparities implies a sub-optimal allocation of resources as well as a lower level of efficiency and economic competitiveness, than could potentially be attained in the regions affected, whether they are attractive areas in the centre or deprived areas on the periphery. These problems can set in motion a cumulative process in which, for example, difficulties of accessing centres of research and innovation or ICT networks further reduce the economic development potential of regions which are already lagging behind" (Commission 2004c: 28).

To elaborate on some of these arguments, there are a number of ways in which regional disparities and unequal regional development can impede economic growth and stand in the way of an efficient allocation of resources:

- Higher employment rates mean an increase in labour input and higher total output. Persistently high levels of unemployment in disadvantaged regions therefore imply a relative economic loss, and there would be a positive growth effect if unemployment could be permanently reduced in high-unemployment areas without leading to a loss of jobs in areas of low unemployment. A similar argument applies to the utilisation of industrial and commercial land available for economic development in disadvantaged regions. Bringing this into productive use implies an increase in factor input, with positive output effects.

- Permanently high unemployment rates in disadvantaged regions are associated with higher crime rates, drug addiction problems, and other social problems. These problems would normally be seen as problems in their own right, but from a purely economic perspective they are also harmful for growth and development: they act as drags on growth. They imply a decrease in the average productivity of labour, high crime rates may deter investment and foreign direct investment in particular, and the government spending necessitated by crime and social problems is not - or only to a very small extent - productive government spending which increases the marginal productivity of capital. On the contrary, the negative economic effects of the taxes necessary to finance unemployment benefits, social programmes, and detention facilities, most likely outweigh the productive effects of this government spending.

- Regional disparities in economic growth can inflict severe economic costs on rapidly growing urban areas through the excess demand for social infrastructure and public services (schools, hospitals, community facilities, etc). Conversely, the situation prevailing in areas losing their population will be one of underutilisation of social infrastructure. In rapidly growing urban areas, severe congestion resulting from pressures on physical infrastructure and public services wastes valuable time for travellers and freight transport users, implying significant productivity losses. A typical response to congestion is to relieve it by further investment to enlarge the existing facilities. Instead of trying to relieve congestion by reducing the demand for social infrastructure, public policy responds by increasing its supply. However, increasing the supply of infrastructure in rapidly growing regions normally further contributes to the deepening of regional disparities, and creates yet more demand for infrastructure in the growing region. Regional policy aims at an alternative solution, at least in the medium to long term, by diverting demand for infrastructure away from the congested areas.

- Persistent disparities in the unemployment rate are associated with a higher rate of structural unemployment:[28] An uneven distribution of unemployment means that in situations of above-trend growth, inflationary pressures will build up in the low-unemployment regions. High inflation rates, in turn, affect economic growth negatively, in that they increase the profit margin required before businesses will undertake investment (the “hurdle rate” for investment) and most likely contribute to economic uncertainty, affecting investment propensities negatively. High wages and population growth also push up house prices. This adds to the inflationary cycle and increases business costs. A reduction of regional disparities in the excess demand for labour would benefit the whole economy by reducing such inflationary pressures.

A Regional Development Version of the Current Growth Consensus

In sum, the Structural Funds’ growth strategy to a great extent focus on a reduction of regional economic disparities via the provision of essential conditions for economic growth in regions facing structural economic challenges. It is argued that there is no trade-off between the objective of higher aggregate growth and an objective of reducing regional economic disparities. This is so since a reduction of regional economic disparities is seen to facilitate overall economic growth, given certain assumptions.

[28] Structural Unemployment can be defined as Non Accelerating Inflation Rate of Unemployment (NAIRU).

The growth strategy of the Structural Funds is therefore a regionalised version of the current consensus on key factors for economic growth. It operates at the regional level, taking into account the divergent character of regional development potentials and thus uncertainty. The strategy of the Funds focuses on the provision of subsidies to investment in particular types of public goods that are seen as necessary preconditions for economic growth or generate other positive externalities: Basic infrastructure networks, a labour force with appropriate basic education and skills levels, support for research and development. Public investment subsidies can directly contribute to such essential framework conditions, by correcting for the underinvestment which would result if investment decisions were to be made by private actors.

Whether the current prioritisation of different types of investment support is presently optimal with a view to maximising aggregate growth is a different question. However, from a general point of view there are two important pitfalls.

The first is the risk of deadweight losses; i.e. that subsidies are provided directly or indirectly to firms that would have undertaken investment at any rate, regardless of the subsidy. In this instance, the subsidy simply substitutes public sector funds for private sector investment. Displacement is a second risk, where a subsidy results in positive employment and/or output effects in benefiting firms, but at the cost of jobs in other firms in the assisted region. The overall result may be nil or negative, negative if less efficient production pushes out efficient production on the basis of subsidies.

In the context of the Lisbon Strategy's objective of higher overall growth, the implication is that a positive growth contribution at the regional level does not necessarily translate into a positive overall growth contribution.

4.2. The Growth-Disparity Trade-Off

The question of a trade-off between overall growth at EU Member State level and regional disparities is central to the relation between the Lisbon Strategy and the Structural Funds: The Lisbon Strategy is a strategy for higher aggregate growth. Cohesion Policy is a policy for reducing regional economic disparities through higher growth in prioritised regions.

Is there a trade-off between growth and regional disparity? As we have seen it, the Commission tends to argue that this is not the case, and in the section above some principal theoretical arguments for the positive aggregate growth contributions of regional development policies have been presented.

It is questionable, however, whether intervention for the reduction of regional disparities will in all circumstances prove beneficial for overall economic growth rates. This section discusses the trade-off between growth and disparity, and considers the implications of the answer.

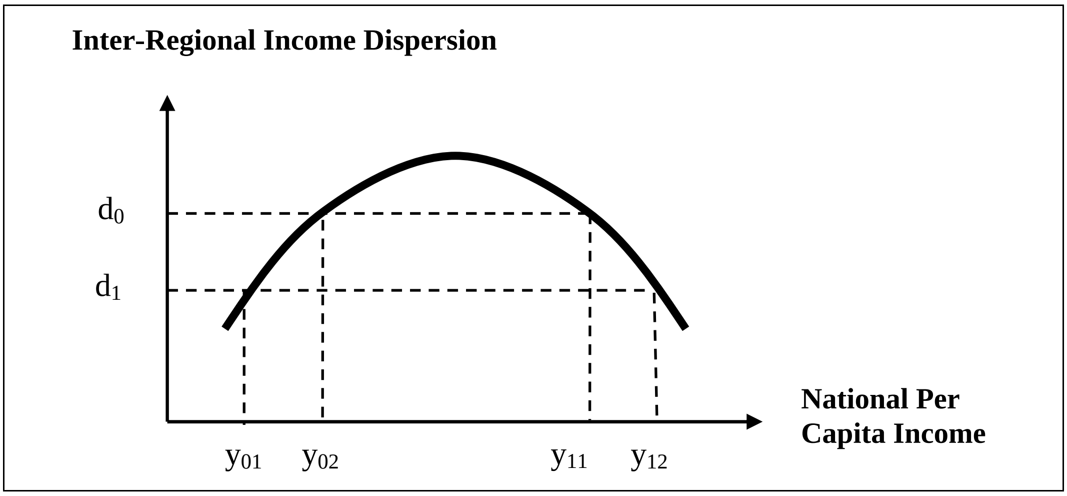
The Williamson-Curve

The discussion about a trade-off between growth and equity has historical antecedents. One influential argument in this connection was made by Williamson (1965) who argued that the typical pattern of national development creates regional divergence in the early stages and regional convergence in later stages.

Williamson discussed the pattern of national development, whereas Cohesion Policy concerns regional disparities within an integrated European market. This was one of the innovations of Cohesion Policy: That it made the intellectual leap from national regional policy logic to a new, integrated European market logic. Nevertheless, the arguments inherent in the Williamson inverted U-curve are clearly relevant in connection with the discussion of the role of the Structural Funds for the Lisbon Strategy's objectives.

Williamson's key argument is that growth in catching-up economies tends to be generated by a limited number of growth poles, driven forward by the emergence of agglomeration economies in the form of knowledge spill-overs and economies of scale. Private capital and skilled workers are attracted to the growth pole regions by the proliferation of new opportunities, and this leads to cumulative rises in productivity and growth.

Figure 4.1: The Williamson inverted U-curve



By definition, more rapid growth in the growth pole regions (a shift from Y_{01} to Y_{02} in Figure 4.1) leads to a widening of interregional disparities (a move from d_0 to d_1). In later stages of development, however, diseconomies of agglomeration, such as congestion and high factor costs may emerge in the growth pole regions. Capital is therefore likely to move to other regions where the level of capital per worker is lower and there is therefore a greater scope for productivity gains due to capital investment, assuming that labour costs are lower.

Policy-makers' decisions – particularly as regards the location of public investment – may also contribute to the rise and fall of regional disparities during the catching-up process. In early stages, public investment tends to be focused on the growth pole regions, either because priority is given to the objective of maximising national growth, or simply due to the above-mentioned increased pressure for public infrastructure in the rapidly developing regions. In later stages, greater political priority may be given to the objective of spatial equity, implying a redirection of public investment. This policy shift may be stimulated by the need to reduce diseconomies of agglomeration in the original growth pole regions, as well as by the perceived desirability of providing the necessary conditions, such as social infrastructure and human capital, for attracting private investment to other regions.

Some Empirical Evidence

In the European context there is some empirical evidence supporting the relevance of the Williamson-curve. In particular, a trade-off between regional equity and aggregate efficiency can often be observed in the early stages of the catching-up process.

Analysing three of the cohesion countries – Greece, Portugal and Spain – Quah (1999) thus found a positive relation between GDP growth and regional disparities. Davies and Hallet (2002) report a similar relation studying all the Cohesion countries, with both the Irish and to a lesser extent the Spanish experience providing good illustrations of growth pole effects.

On the basis of an estimated production function including public investment, Fuente (1996) simulates the efficiency/equity trade-off for Spain in 1981-90, showing that an extremely redistributive policy of public investment would have reduced regional disparities by 13,54 per cent compared to the baseline, at the expense of a 1,63 per cent decrease in national GDP. The alternative extreme of a policy oriented solely towards efficiency and allocating public investment according to profitability would have increased GDP by 1,58 per cent and regional disparities by 18,29 per cent.

On the other hand, there is little systematic evidence of the ‘descending’ side of the Williamson curve. Based on studies of Germany, Italy, and the UK, Davies and Hallet (2002) conclude that there is no clear link between national growth and lower regional disparities in wealthier Member States, and that this relation is hence far from automatic and seems to be highly affected by the specific institutional features of individual countries, including the degree of prevalence of proactive regional policy.

Implications

These findings pose some questions to the Structural Funds. This is so not least in relation to the Lisbon Strategy’s objective of higher aggregate growth across the EU.

- Considering the EU as one economy, does Structural Fund support to lesser-developed regions impact overall growth negatively? This could be the case to the extent Structural Fund support redirects public investment from investment in those growth poles which are - according to Williamson's thesis and some empirical evidence - important in the early phases of economic development to investment in regions with a smaller growth potential.

- At the level of Member States: Does Structural Fund support impact aggregate growth negatively in a similar way, by directing public investment towards regions with a relatively low potential for growth?[29]

- Or, do the positive aggregate growth effects of a reduction of regional economic disparities, as quoted earlier, in both cases outweigh the negative effects of relatively smaller public investment in growth poles?

At present, empirical evidence is insufficient to provide firm answers to these questions. Furthermore, the status of the Williamson-curve is not only an empirical question, it can also be contested on theoretical grounds: The Williamson-curve presupposes a certain prioritisation of public investment (concentration on growth poles in early stages and low level of per capita income, priority to spatial equity in later stages and higher level of per capita income) which a pro-active regional policy would precisely influence in a different direction. This means that in the case of an efficient, pro-active regional policy, the relations of the curve may not hold true. In addition, not all forms of public investment can be classified as benefiting either the centre alone or the periphery alone. Investment in human capital may, for instance, benefit both types of regions.

However, even if empirical evidence is presently not sufficient for answering the above questions, the question remains as to what can be done to *reduce the significance of the dilemma between overall growth and regional disparity*. A short even if partial answer to this question is:

- the growth effects of investment support should be maximised, even if the location of investment is not the optimal one from the perspective of overall growth rate.
- investment should be directed towards specific locations where growth effects are relatively high, even if the overall objective is a reduction of regional disparities.

The first point relates to the composition of investment, and is addressed in the section below. As for the second point, the question can be asked whether the eligibility criteria for Structural Fund support are presently sufficiently focused on the growth potentials of regions. Even in full respect of the cohesion principle, there may still be a case for redirecting support from some types of disadvantaged regions to other types, a key point being whether regional policy realistically has the capacity to influence the regional economic development path, or

[29] As noted by Ederveen et al. (2002), negative growth effects of Structural Fund support may be aggravated by the fact that Structural Fund interventions have to be co-funded by domestic tax revenues. In case this taxation is highly distortionary and increases the likelihood that the net growth effect is negative.

whether the effects of intervention are outweighed by other regional location factors, such as geographical peripherality, which Structural Fund support can only affect to a limited extent.

The existing eligibility criteria of the Structural Funds are defined on the basis of relative economic underdevelopment and/or various structural economic, demographic, or geographical weaknesses. This is in accordance with the cohesion principle, broadly interpreted, and reflects a number of political priorities and concerns. But this is not necessarily the most efficient manner of stimulating overall economic growth.[30] Based on a cross-country panel data analysis, Ederveen et al. (2002), for instance, report that the efficiency of Structural Fund support in stimulating growth is conditional upon the institutional quality of the recipient Member States.

More knowledge is needed in this field, however. There is presently not sufficient empirical evidence to allow us to draw any firm conclusions on the economic development potential of specific types of regions in the European Union and to formulate policy recommendations on revised eligibility criteria on this basis.

4.3. The Character and Composition of Public Investment

This section discusses the question of the composition of investment and the nature of public investment or investment subsidies with a view to maximising economic growth and efficiency.

Thus, the significance of the trade-off between growth and regional disparities can in principle be reduced if investment in given locations is composed so as to maximise the growth effects of this investment. Furthermore, growth effects will be higher if public investment or investment subsidies are provided in a way which minimises displacement effects and deadweight losses.

A large number of factors contribute to economic growth. The introductory sections of this chapter have highlighted some of the broad factors where there is currently a high degree of consensus. The literature on growth accounting and growth regression (e.g. King and Levine 1992; Alesina and Rodrik 1994; Benhabib and Spiegel; 1994¸ Mankiw et al. 1992) results in a much longer list of factors. More than 80 variables have been suggested to affect growth in this empirical work. Against this background, it is not fruitful or realistic to attempt to determine some optimal investment composition in different national or regional contexts and to discuss the investment strategies of the Lisbon Strategy and the Structural Funds in this perspective.

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[30] Regions eligible for Objective 1 support presently include areas with extremely low population density and the most remote regions. Regions eligible for Objective 2 support include for instance sparsely populated agricultural areas and areas dependent on fisheries. Some of these regions may hold considerable development potential, but is it the case for all of them? The same question can be asked for the regions which are eligible for Objective 1 support on the basis that their per capita GDP is less than 75% of the Union average. Is there not a larger development potential in some of these regions than in others?

What this section does, however, is a) to discuss some principal arguments for efficient investment subsidies, b) to highlight briefly some relevant empirical findings as regards the social rates of return of different types of investment in different contexts, and c) to assess the current Structural Fund priorities and the Lisbon Strategy in this light.

The Argument for Public Investment Subsidies

How and under which circumstances can public investment and public investment subsidies be justified with a view to maximising economic growth and efficiency?

The key argument for public investment subsidies is market failure (cf. also Commission 2004c: 37). Market failure can be defined as the situation that exists when the price established in the market does not equal the marginal social benefit of a good and the marginal social cost of producing the good. This means that there is either and under-supply or an over-supply of the goods or services in question. Market failure thus occurs when the workings of the price mechanism are imperfect and result in an inefficient allocation of resources from the perspective of society. One source of market failure, the publicness of the goods concerned, is relevant.[31]

Because of their non-excludability and non-rivalry in consumption, public goods are related to free-rider problems. If provision of such goods is left to individual decisions, there will be a collective action problem: Because of the non-excludability of public goods, rational actors will want others to provide the goods and take a “free ride”. This results in a situation where the good is provided at a sub-optimal level.

Training is a classic example: firms are tempted to poach staff from each other rather than invest in training. Public investment and public investment subsidies can be justified as a response to market failure in the provision of public goods.

These arguments can also be put in terms of externalities. Externalities are consequences that arise from situations where actions of one agent or group of agents affect the production or well-being of others in the economy, especially the welfare of people who are external to that decision (Meade 1973). Goods with externalities are also public goods. This is so since externalities are by definition consequences which are “non-excludable”. If left to private investment decisions, there will be an underproduction of goods that yield positive externalities and an overproduction of goods that generate external costs, in relation to the social optimum. Public investment subsidies can be justified as a response to externalities, addressing these two problems.

[31] There are different sources of market failure: The publicness of the goods concerned; externalities that are not reflected in prices; and market power of suppliers or consumers. Problems of market power call for regulatory intervention, and will not be addressed here.

- Some physical infrastructure goods can be considered public goods. This is so to the extent that consumption of the goods cannot be regulated, or to the extent that such regulation is connected with prohibitive costs. Roads and bridges are examples where access to consumption can indeed be restricted, but where the social costs of leaving the construction of roads and bridges to market forces is most often very large.[32]

- The provision of environmental protection is often connected to free-rider problems. Environmental protection is often a non-excludable good, meaning that private investment decisions will result in an under-provision of it, or conversely that investment in environmental protection is connected to positive externalities.

- Under certain conditions, education and training can be considered a public good. Assuming that education and training under market conditions were to be provided by employers, this is so to the extent that labour market regulation does not allow an employer to restrict other employers' consumption of training provided to employees. In this situation, the rational solution is for the individual employer to have others invest in training and education and subsequently to hire well-trained staff.[33]

- Certain types of Research and Development and innovation can also be considered public goods (cf. Commission 2004c: 37). Some R&D and innovation activities can generate macroeconomic benefits that cannot be appropriated in the form of higher earnings by those who undertake the relevant investment (there are non-excludable benefits or positive externalities).

- A range of institutional factors, such as for instance property rights and the rule of law, the absence of corruption, and efficient systems of representation, are also public goods, characterised by non-excludability and non-rivalry in consumption. Institutions which reduce transaction costs may also be related to positive externalities and display public goods characteristics.

Which Types of Investment Produce Which Growth Effects?

In a European context, a number of studies provide information that is relevant for this question. We distinguish between three broad categories of investment in this respect:

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[32] It is possible to restrict consumption of roads and bridges and to leave investment decisions to market forces on this basis. This is being done when infrastructure investment is provided by the private sector against concessions of levying tolls or user payments. The social costs will normally be high, however. Often, the marginal running costs of such infrastructure will be low, and the optimal welfare economic solution will be to set user payments so as to recuperate only the marginal running costs. From the perspective of the private investor, however, user payments must generate a yield on total investment.

[33] Is there also a problem of market failure assuming that education and training is provided not by employers but by general service institutions that are independent from specific employers, and that costs are borne by individuals that pay for training? In this situation, education and training is a private and not a public good, characterized by excludability, rejectability and – to some extent - rivalry. However, public investment in education and training may still be justified, for instance on the grounds that inequality may lead to underinvestment seen from the perspective of society (poverty will depress the investment/consumption ratio of the affected groups, even if returns on investment in education and training are high).

- Basic physical infrastructure investment
- Human capital investment
- Investment in the creation of new knowledge and know-how (R&D)

In addition, the institutional requirements for growth will be discussed.

Physical Infrastructure
There is empirical evidence that basic physical infrastructure investment is connected to positive externalities. Fuente (2002b) surveys the available evidence and concludes that there are sufficient indications that public infra-structure investment contributes significantly to productivity growth, at least in countries or regions where a saturation point has not been reached. The returns on such investment are probably quite high when infrastructures are scarce and basic networks have not been completed, but fall sharply thereafter.

Hence, appropriate infrastructure provision is probably a basic ingredient for a successful (regional or national) development policy, even if it does not hold the key to rapid productivity growth in advanced countries where transportation and communication needs are already adequately served.

Morgenroth (2003), on the other hand, provides evidence that there are high returns to infrastructural investment in contexts of strong economic growth. Based on data from Ireland, this econometric study suggests that returns on infrastructural investment have risen strongly during the 1990s as the success of the Irish economy led to the emergence of binding infrastructural constraints (cf. also ESRI 2003: 62-63).[34]

Human Capital Investment
"Human capital" can be defined as measuring the abilities labour has acquired through training and education. There is empirical evidence that human capital investment is connected to positive externalities (e.g. Temple 2001; Fuente and Ciccone 2002; Doménech and Fuente 2002).[35] In surveying existing literature, Fuente and Ciccone (2002: 5) conclude that in a typical OECD-country, human capital accounted for 22 per cent of observed productivity growth between 1960 and1990. Roughly two-thirds of this figure reflected the immediate impact of schooling on the level of productivity, and the remaining third captures its contribution to technological progress.

In this context, the authors conclude, first, that a moderate increase in human capital investment is probably a good idea. The direct economic returns to schooling investment that are captured by macro-econometric studies are roughly comparable to those available from investment in physical capital.

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[34] The implied realised return on road investment is estimated to about 25 per cent. The implied rate of return for public transport investment is estimated to about 7,5 per cent.
[35] Some of the benefits of a more educated labour force will typically 'leak out' and generate macroeconomic benefits that cannot be appropriated in the form of higher earnings by those who undertake the relevant investment. However, it is questionable to what extent education at the highest end, e.g. a PhD or an MBA-degree, is public good. The returns on receiving a PhD-degree or an MBA are most likely to be mainly private.

When reasonable allowance is made for non-market returns to education and for its benefits for social cohesion, human capital becomes a rather attractive investment alternative from a social point of view.

Second, however, an across -the-board increase in general subsidies to formal education at the post-compulsory level is probably not necessary, since education in the EU is already heavily subsidised and compulsory schooling laws already tend to prevent underinvestment in education. It may be more important, hence, to eliminate barriers impeding access to advanced programmes, such as liquidity constraints and lower levels of basic skills for individuals from disadvantaged backgrounds, through policies specifically targeting these problems.

Furthermore, to maximise the positive externalities of investment in human capital, it is recommended

- to give technology related skills to broad segments of the population,
- to support life-long learning in order to counteract the depreciation of skills in light of accelerating technical change,
- to improve conditions for the accumulation of research-related human capital
- to improve educational opportunities and the skills of individuals from disadvantaged backgrounds
- to take necessary steps to improve student achievement.

According to the authors, it is important to recognise, however, that successful action requires a clear picture of the quantity and quality of regional human capital stocks in order to understand local needs and to identify those policies that are likely to be the most effective.

Research and Development
Surveying existing empirical literature, Griffith (2000) concludes that the literature finds the social rate of return of business research and development to be substantially above private rates of return, implying significant positive externalities.

The private return of business R&D can be estimated by looking at the impact of a firm’s own R&D on the firm’s output. Based on US firm-level data, Grichiles (1992) estimates the elasticity output with respect to R&D at around 0,07, implying a rate of return of around 27 per cent. Hall (1996) reports that estimates of private rates of return to R&D cluster around 10-15 per cent, but can be as high as 30 per cent in some studies.

The social rate of return is believed to be higher. One of the main reasons the social rate of return is estimated to be higher than the private rate of return is knowledge spill-overs from the inventor to other forms. Once invented, an idea can be imitated by others (it is non-rival and only partially excludable), although patent protection and delays in the dissemination of new ideas enable the innovators to appropriate a share of the rents from a new idea.

Based on a review of studies of the social return to R&D in manufacturing, Jones and Williams (1998) estimate that the social rate of return to industry from R&D conducted by firms within the same industry ranges from 17 per cent to 34 per cent. Adding the social return attributable to R&D conducted in one industry but used in another (for example, R&D carried out in an upstream industry), estimates of the social rates of return are significantly higher, at around 100 per cent. These estimates are largely based on data for the manufacturing sector.

However, integrating these results into a macroeconomic model of endogenous innovation and growth, Jones and Williams (1998) show that the quoted estimates of the social rate of return actually provide a lower bound to the true social rate of return, once dynamic effects are taken into account.

Furthermore, the above results assume that imitation is costless. However, it can be costly, and Griffith, Redding and Van Reenen (2000) emphasise how R&D can lead not only to new innovations but also to enhancing firms' ability to imitate, further increasing the social rate of return of business R&D. Including both the innovation and imitation effects of R&D, it is estimated on the basis of econometric evidence that the national social rate of return on R&D has ranged between 42 per cent and 95 per cent in 12 OECD countries in the period 1974-1990. Eaton, Gutierrez and Kortum (1998) provide independent support for the observation that imitation effects are important in addition to innovation effects.

Since the social rate of return to R&D investment is substantially higher than the private rate of return, Griffith (2000) concludes that there are strong justifications for public subsidies to R&D. The optimal subsidy to R&D would equate private and social rates of return. Assuming that a) there are a large number of potential R&D projects to be undertaken, b) the return on these declines at a uniform rate, and c) a conservative estimate of the social rate of return on R&D is 30 per cent and the private rate of return is 7-14 per cent, this implies that R&D expenditure as a share of GDP should generally be two to four times larger than what is currently generally the case (Griffith 2000: 9).

Institution Development

Institutions have been defined along a wide spectrum (cf. IMF 2003: 96-97). Toward one end is the notion of institutions as establishing certain fundamental rules for a society, or using North's (1990) widely cited definition, as the formal and informal constraints on political, economic, and social interactions. From this perspective, "good" institutions are viewed as establishing an incentive structure that reduces uncertainty and promotes efficiency – hence contributing to stronger economic performance (e.g. North 1991).

Toward the other end of the spectrum, and giving more specific shape to this broad concept of institutions, would be particular organizational entities, procedural devices, and regulatory frameworks. Such institutions may contribute to economic growth primarily by fostering better policy choices, at the level of national or regional policy makers, or by providing a more favourable environment for individual enterprises' investment decisions.

Table 4.1 Correlations between Institutions and Economic Performance

Variable	GDP per capita[36]	Growth Rate[37]	Growth volatility[38]	Aggregate governance measure[39]	Property rights	Constraint on executive power
GDP per capita	1.00					
Growth rate	0.65	1.00				
Growth volatility	-0.53	-0.36	1.00			
Aggregate governance measure	0.86	0.59	-0.61	1.00		
Property rights	0.76	0.54	-0.62	0.79	1.00	
Constraint on exec. power	0.72	0.45	-0.64	0.73	0.63	1.00

Data from 90 countries. Source: IMF 200. All correlations are significant at the 5 per cent level.

Given this wide variety of definitions of relevant institutions, empirical findings as regards the significance of institutions for economic growth frequently pertain to a rather limited number of specific institutional factors. Table 4.1, for instance, displays correlation rates for the relations between GDP per capita, growth rates and growth volatility and three institutional variables: an aggregate governance measure developed by the World Bank, property rights, and constraints on executive powers. There are strong positive correlations with income levels and growth rates and a strong negative correlation with growth volatility.

Along these lines, Hall and Jones (1998) demonstrate that differences in physical capital and educational attainment can only partially explain the variance in output per worker: Differences in capital accumulation, productivity, and therefore output per worker, are found to be driven by differences in institutions and government policies.

A study by the OECD (2001a) also concludes that institutions for innovation and technology diffusion, promoting the interaction between universities, firms and public laboratories, affected growth trends in the 1990s positively in the OECD member states.

In a different overview study, it is concluded that learning exerts a positive influence on regional economic performance. Both EU regional correlations and case studies demonstrate that individual and organisational learning are important for regional economic performance. Regional learning is facilitated by social capital, for instance in the form of regional networks, while the absence of strong traditions and networks, for example linking industry with universities,

[36] Real GDP per capita in US dollars, 1995.
[37] Average annual growth rate of real GDP per capita for the period 1960-98.
[38] Standard deviation of annual growth rate of real GDP per capita for 1960-98.
[39] Aggregate institutional quality measure from Kaufman, Kraay, and Zoido-Lobatón (1999).

may impede development. Similarly, in inter-firm linkages, different traditions in each region make a big difference, as do the traditions of civic participation to the success of policy initiatives (OECD 2001b).

Specifically in relation to the EU Structural Funds, Ederveen et al. (2002) report that the efficiency of Structural Fund support in stimulating growth is conditional upon the institutional quality of the recipient Member States. Highly significant results are found between the effectiveness of Structural Fund support and direct measures of institutional quality: Governance indicators as constructed by Kaufmann et al. (1999, 2002) and a corruption perception index (CPI) as constructed by Transparency International and documented in Lambsdorff (2001). The implied semi-elasticity of Structural Fund support, measuring the increase in the growth rate in response to a 1 per cent increase in the Structural Funds of GDP, is negative for several Southern European Member States in the specifications "institutional quality" and "corruption".

The dependency of the growth effects of Structural Fund support on institutional quality and on the absence of corruption leads the authors to conclude that the prospects for effective use of structural funds in the new Member States are limited. This reflects the fact that the institutional quality and perceived corruption in most of these countries are worse than in Greece, which features the lowest values among the EU Member States included in the analysis.

4.3.1. The character and composition of public investment within the Structural Funds

How do the current investment strategies and priorities of the Structural Funds appear against the background above?

The Market Conformity of Structural Fund Investment Subsidies

First, it must be stated that most of the investment subsidies provided by the Structural Funds are in principle justifiable from an economic efficiency perspective. For a large part, the Structural Funds thus subsidise investment in goods with a high degree of publicness and which generate positive externalities. This applies in principle to goods such as infrastructure projects, investment in human capital development, investment in R&D, and environmental protection investment.

This having been said, however, not all Structural Fund support appears justifiable from an economic efficiency perspective:

- Where support is provided to investment in individual enterprises and this investment is not related to human resources development, R&D, or other goods with positive externalities, there is no economic efficiency justification. Such investment support will result in redistribution/reallocation of production, not in more efficient production (displacement). A significant share of Structural Fund support is presently devoted to so-called "productive environment" investment.[40] Frequently, this covers investment support to specific, individual enterprises.

- A distinction should, however, be made between small and medium-sized enterprises (SMEs) and larger enterprises. There is evidence that SMEs are often placed in a structurally disadvantaged market position with respect to access to R&D and new knowledge and access to capital markets (e.g. Commission 2004c: 51-53). Structural Fund support to SMEs can be justified as a correction of market failure on these grounds.

- The broad term "business development" is often used in Structural Fund programming to refer to a diverse set of business promotion initiatives, addressing not individual enterprises but sectors (or clusters), branches, groups of enterprises, or regions. If "business development" refers to support to essential infrastructure or essential human resource framework conditions, such support can be justified on the grounds of the publicness of the goods concerned and positive externalities arising from their production. Thus, there is a benefit beyond the individual firm. However, to the extent support to "business development" concerns assistance at the level of specific enterprises or groups of enterprises, investment subsidies are also likely to imply displacement.

- Even if investment subsidies are directed towards investment in public goods or services or goods/services with positive externalities, it is important to emphasise that such subsidies should be provided on the basis of solid assessments of their costs and benefits and, ideally, their social rate of return. Projects with the highest rates of return or the lowest cost/benefit ratios should be prioritised.

The Composition of Investment in Structural Fund Support

A second set of points concerns the composition of current Structural Fund Support. Currently, support is provided to a range of different fields of investment. The European Social Fund focuses almost exclusively on investment in human resource development. The ERDF provides support to physical infrastructure development, human resource development, and investment in R&D. However, as is also discussed in Chapter 6, investment in physical infrastructure constitutes the most important field of investment, in particular in the framework of the Objective 1.

- As we shall return to in that chapter, the significance of physical infrastructure investment is greater in less prosperous regions than in more prosperous regions. Considering the empirical evidence on the social rates of return to physical infrastructure investment, this difference appears both appropriate

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[40] For example, 28 per cent of total Objective 1 support to Spain 2000-2006 is allocated to investment in the category Productive Environment, as is 34 per cent of total Objective 1 support to France and 29 per cent of total Objective 1 support to Ireland. Source: European Commission, "Ventilation de la contribution communautaire des compléments de programmation par pays et domaine d'interventions pour la periode 2000 – 2006". 28 January 2004.

and a rational reflection of the higher rates of return in conditions where physical infrastructure is scarce. This is so at least as long as it can be safely assumed that more prosperous regions have more well-developed infra-structure networks and are thus close to or beyond the saturation point as regards major physical infrastructure networks.

- It is questionable whether support for innovation and R&D is given high enough priority in the current generation of Structural Fund support, given the empirical evidence that there are generally very high social rates of return to such investment. An increased emphasis on support to business-related R&D and innovation is justified, taking specific regional and local conditions into consideration.

- In this context, and as an element in support for institutional development, there is evidence that more systematic support for the development of regional innovation systems is justified. The improved functioning of regional innovation systems can adjust for information and knowledge asymmetries and further positive externalities such as synergies and learning between vertical or horizontal clusters of enterprises and organisations and the innovations which are developed in these contexts. In the framework of the current generation of Structural Fund programmes, it is already possible to provide this kind of support, as the ERDF-regulation makes possible support to the transfer of technology, including in particular the collection and dissemination of information, common organisation between enterprises and research establishments, and financing the implementation of innovation in enterprises. However, more could be done to systematically promote these types of activities, in particular in Member States where regional innovation systems are relatively poorly developed.

- The institutional framework for growth is presently largely overlooked in Structural Fund programming. Thus, there is presently no significant emphasis on institutional prerequisites for Structural Fund support in the programmes, even though there is clear evidence of a correlation between economic growth on the one hand and basic legal and political institutional factors and the absence of corruption and the other hand. Since there is evidence that such factors influence the growth rates of economies in general and the efficiency of Structural Fund support on growth in particular, it is relevant that the Structural Funds themselves consider options of increasingly making support conditional on the presence of basic institutional requirements or on the further development of relevant institutions. Furthermore, there is evidence that the "external anchor" of future EU membership has provided an important impetus for institutional reform in the new Member States in the years prior to accession (IMF 2003: 102-104). With the disappearance of this external anchor, there is a case for considering new ways that can provide incentives for continued institutional development.

Box 4.1. Regional Innovation Systems & Strategies in European Candidate Countries (RISSECCO)[41]

The European Commission presently finances a study focusing on Regional Innovation Systems in the new Member States and how the Structural Funds can best contribute to the regions' efforts in this respect. There are three central questions concerning the future development of research, technology, and development policies on a regional level:

- By what criteria should future policy priorities at regional level be defined?
- Which regions are most likely to reach an outstanding performance level in research and innovation? How can the structural funds contribute to the regions' efforts in this respect?
- How can the regions in the new Member States best contribute to the Lisbon objective of the EU becoming the world's most competitive knowledge-based economy in 2010?

The research project follows three major steps:

- Data collection and processing, which will produce insights into the factors currently shaping the RIS of the new members.
- Elaboration of a typology which differentiates the various regions by outlining the existing similarities and divergences and highlighting their diverse potentials.
- Design of scenarios for RIS development in these regions.

- The Structural Fund programmes in themselves do not support relevant development of basic institutions in a very systematic manner in the present programming period.[42] Relevant institutional factors that are both conducive for growth and could conceivably be supported by the Structural Funds could be measures for reducing the significance of corruption and measures for improving the efficiency of public administration at central and regional levels, in particular as regards business-related public administration services and business regulation. Evidently, the relevance of this type of support will differ from national context to national context, but it is likely to be relevant in several connections, particularly in light of the recent and foreseen enlargement and the fragility the societies of the new EU members.[43] Furthermore, even if it is recognised that many institutional factors depend on regulation rather than investment support, Structural Fund investment support clearly has a potential to improve administrative capacities in relevant business-related connections.

[41] http://www.isi.fhg.de/ir/pb_html/rissecco.htm
[42] Institution building does play a role in the Italian and Greek Community Support Frameworks for 2000-2006.
[43] Support for institution building has since 1990 been provided to the Central and Eastern European transition economies by the PHARE –programme, but is being phased out. PHARE's support for building institutional capacity is being continued in the period 2004-2006 for the New Member States, however (Commission 2004c: 170).

4.3.2. The character and composition of public investment within the Lisbon Strategy

The Lisbon Strategy consists of a number of objectives and related calls for action. Many of these actions concern legal and regulatory reform. They will not be discussed here, as we focus only on the objectives and actions that are relevant for the allocation of investment.

The Investment Profile of the Lisbon Strategy

Taking into consideration the empirical evidence discussed above, the Lisbon Strategy clearly focuses on investment in fields where there is evidence of significant positive externalities. The case for public investment in human resource development and R&D and innovation is good, since the social benefits accruing from such investment are larger than the private benefits and there will be a tendency to underinvestment if investment decisions are left to private actors. There are certain qualifications and modifications, however:

- Concerning the area of human resource development, the Lisbon Strategy calls for “a substantial annual increase in per capita investment in human resources”. Taking the findings of Fuente and Ciccone (2002) into account, this recommendation is probably too strong. The point is that human resource development is already very heavily subsidised and compulsory schooling laws already tend to prevent underinvestment in education. There is a case, therefore, for more targeted increases in human capital investment.

- The Lisbon Strategy’s specific objectives of halving the number of 18 to 24 year olds with only lower-secondary level education who are not in further training and education and of combating illiteracy and numeracy problems are more justified in this light, as is the Strategy’s focus on promoting lifelong learning and equipping broad segments of the population with ICT and “information society” skills.

- In addition, it would probably be beneficial if the Lisbon Strategy and/or Member State governments devoted even more attention to eliminating barriers impeding access to advanced training and education programmes, such as liquidity constraints and the low levels of basic skills in individuals from disadvantaged backgrounds.

- From the perspective of overall growth effects, the Lisbon Strategy’s objective of increasing spending on R&D and innovation to approach 3 per cent of the GDP by 2010 is probably justified. Again, the empirical evidence that there are generally very high social rates of return to such investment justifies this priority, provided that increased public R&D and innovation spending targets business-related fields. Based on conservative assumptions, Griffith (2000: 9) as mentioned concludes that R&D expenditure as a share of GDP should generally be two to four times larger than is currently generally the case.

- It is notable that investment in basic physical infrastructure plays a very minor role in the Lisbon Strategy. Only investment in ICT-infrastructure is highlighted, along with Trans European Networks which were incorporated into the Strategy in 2003. From an overall growth perspective this fact is problematic, as the social rates of return of physical infrastructure investment are probably relatively high in some types of regions.

Risks Connected to the Uniformity of the Lisbon Strategy

A number of questions can also be raised concerning the specific investment priorities of the Lisbon Strategy. In terms of its overall priorities, the Strategy is a uniform strategy for the whole of the Union, emphasising as its most important element increased investment in R&D, IT infrastructure, and human resource development.

Particularly considering that they apply to the whole of the Union, the question is whether the Strategy's investment priorities are based on solid theoretical and empirical evidence. Thus, the output effects of investment in different fields are likely to depend on the context within which such investment is made:

- As for human capital investment, for instance, estimates of social returns are positive but vary both between countries, between types of education and training, and between educational attainment levels (e.g. OECD 2004a: 197-200; Coulombe et al. 2004, DØR 2003). Based on a study of Spanish regions, Fuente et al. (2003: 73-80) estimate that the social rate of return to human capital investment varies considerably, from an estimated 10-12,5 per cent in some regions that are among the least prosperous to an estimated 8-10 per cent in other relatively more affluent regions.

- As mentioned earlier, the survey in Fuente (2002b) finds that returns on public infrastructure investment contribute significantly to productivity growth, at least in countries or regions where a saturation point has not been reached. The returns on such investment are probably quite high when infrastructures are scarce and basic networks have not been completed, but fall sharply thereafter. Morgenroth (2003) finds that the return on infrastructure investment is particularly high when such investment removes bottleneck situations emerging in periods of substantial economic growth.

- Generally, the OECD (2004b: 36-38) argues along the lines of the productive government spending model that the growth effects of productive government spending depend on the level of government spending.

In relation to this, the Lisbon Strategy poses the risk that some types of investment could be replaced by investment prioritised in the Lisbon Strategy. Under certain circumstances, this could generate negative aggregate growth effects. For instance, in Member States and regions with a low level of basic infrastructure, investment in this field may yield a very high social rate of return. However, if the Lisbon Strategy's priorities prevail, such investment would increasingly be replaced by investment whose growth effects would in such regions be much more uncertain, such as investment in ICT-skills and broadband technology. In contrast, the Structural Funds allow more regional variation in investment priorities.

Furthermore, some of the Strategy's investment objectives target quite specific areas and call for investment of a quite specific type. This could arguably be said to be the case for objectives such as investment in entrepreneurship, in the deployment of broadband internet connections to schools, universities, and in connection with health services, in "turning schools and training centres into multi-purpose local learning centres", and in "active" labour market measures.

It seems unclear to what extent these specific objectives are based on solid theoretical and empirical evidence as to their growth effects, and it seems likely that growth effects in these specific fields will be highly context dependent. To the extent these priorities are reflected in Member States' and regions' public investment decisions, leading to a redirection of investment towards these areas, there is a risk that aggregate growth effects could be negative.

The Lisbon Strategy thus formulates priorities and defines objectives which seem to presuppose a very high degree of certainty and positive knowledge.

4.4. Lisbon and the Structural Funds: Questions and Dilemmas

This chapter has considered the economic rationales of the Lisbon Strategy and the Structural Funds: Their growth and investment strategies have been discussed in the light of a theoretical and empirical analysis of the implications of targeting investment towards specific locations and types of investment.

The present section will not present firm conclusions pointing to decisive flaws or advantages of the one approach in relation to the other. There are economic justifications for both approaches. We can, however, raise a number of questions, highlight some dilemmas, and make some suggestions, on the basis of the theoretical and empirical evidence presented in the chapter. These points will be taken into account when considering the ways in which synergies and complementarities between the Structural Fund programmes and the Lisbon Strategy can be better exploited in the future.

As for the Lisbon Strategy, it is evident that it rests on an assumption that public policy intervention can significantly affect aggregate growth rates. It also reflects a belief that there are significant positive externalities connected to investment in R&D, IT infrastructure, and diverse aspects of human resource development.

- There is empirical evidence supporting this conviction. The types of investment that are prioritised in the Lisbon Strategy generate significant positive externalities. Public investment in these fields is therefore justified. However, the Lisbon Strategy's call for a substantial annual increase in human capital investment is probably too strong, since human capital investment is already heavily subsidised.

- Considering that they apply to the whole of the Union, and that the output effects of investment in different fields depend at least to some extent on the context within which such investment is made, it is questionable, however, to what extent the Strategy's specific investment priorities are based on solid theoretical and empirical evidence. The uniformity of the strategy constitutes a risk in this respect, as this uniformity disregards regional diversities.

- In connection with this, there is a risk that some types of very productive investment could be replaced by investment prioritised in the Lisbon Strategy, and that this could generate negative aggregate growth effects. It is notable, for instance, that basic physical infrastructure is absent from the Strategy, even if there is empirical evidence suggesting that the social rates of return of this type of investment are high, at least in regions where a saturation point has not been achieved or where investment alleviates congestion.

- Against this background a regional "modulation" of the Lisbon Strategy could be useful. The potential utility and impact of the Lisbon Strategy at the regional level could be increased if an adaptation of the Lisbon Strategy and its objectives to specific regional circumstances was promoted more actively as a possibility. Regional authorities and other relevant bodies could be encouraged to consider the Strategy and its objectives in their own regional development programming process, taking into consideration its overall objectives while adapting the more specific targets to local and regional needs and requirements.

- The question can be asked whether there is not an inconsistency between the foundations and the priorities of the Lisbon Strategy. On the one hand, the Strategy rests on implicit assumptions which open up the possibility that unequal development can increase within the EU and between the Union's regions. On the other hand, the question of regional economic disparities is not placed very centrally in the Strategy.

- If the explanation for this discrepancy is an understanding that the question of regional disparities is to be addressed by the Structural Funds and the Union's cohesion policy, the question emerges whether it would then not be logical to maintain a clear distinction between the objectives of the Structural Funds and those of the Lisbon Strategy.

As regards the Structural Funds, their growth strategy can be said to reflect a regionalised version of the current consensus on factors facilitating economic growth.

- There are a number of arguments for the case that regional development policies can stimulate aggregate economic growth, thus eliminating any trade-off between growth and regional cohesion.

- The question is, however, whether these justifications for Structural Fund intervention apply generally. At the level of Member States, there is some empirical evidence of a trade-off between aggregate growth and regional economic disparities.

- In light of the Lisbon Strategy's overall growth objective, the question is what can be done to reduce the significance of the trade-off between overall growth and regional disparity. An answer, even if a partial one, to this question is a) that the growth effects of investment support should be maximised, even if the location of investment is not the optimal one from the perspective of overall growth rate, and b) that investment should be directed towards specific locations where growth effects are relatively high, even if the overall objective is a reduction of regional disparities.

- As for the second point, the question can be asked whether the eligibility criteria for Structural Fund support are presently sufficiently focused on the growth potentials of regions. More knowledge is needed in order to answer this question.

- The first of the points concerns the character and composition of investment. It has been argued that for a large part, the Structural Funds subsidise investment in goods with a high degree of publicness and which generate positive externalities. However, not all Structural Fund support is justifiable from this market efficiency perspective: The present support to individual enterprises above the SME threshold is likely to result in displacement of investment, rather than in more efficient production, and there is an argument for limiting the possibilities for providing this kind of support.

- Furthermore, as regards the composition of investment it is questionable whether support for innovation and R&D is presently accorded high enough significance in the current generation of Structural Fund support, given the empirical evidence that there are generally very high social rates of return to such investment. It seems justified to increase the focus on R&D and innovation in the next programming period, and to increase the emphasis on institutional factors which facilitate and disseminate research, development, and innovation.

- In general it seems justified to increase the emphasis of the Structural Funds on institutional prerequisites for growth and on institutional development. There is clear empirical evidence pointing to the significance of a range of institutional framework conditions for economic development. Considering the recent and foreseen enlargement and the fragility the societies of the new EU members and the candidate countries, an increased emphasis on institution building for the Structural Fund support seems justified. Structural

Fund support could to a greater extent be made conditional upon the establishment or further development of certain basic institutional prerequisites for economic growth. Among relevant institutional factors that are both conducive to growth and could conceivably be supported by the Structural Funds are measures for improving the efficiency of public administration at central and regional levels, in particular as regards business-related public administration services and business regulation.

Section II: Process and Contributions

5. The Implementation of the Lisbon Strategy

The purpose of this chapter is to describe the implementation of the Lisbon Strategy in the Member States included in the present study. This description should not be seen as a general evaluation of the Member States and their progress or lack of progress towards achieving the objectives of the Lisbon Strategy. Rather, we seek to describe and assess the *significance* of the Lisbon Strategy in the concerned Member States, and the *approach* of the Member States to the Strategy, as regards prioritisation and organisation.

This is our focus, since the significance of the Lisbon Strategy can be seen as a framework condition for the Structural Funds' contributions to the achievement of the Strategy's objectives. In this connection, it is a hypothesis that will be discussed in a later section that the status and significance of the Lisbon Strategy in the Member States affects the ways in which the Structural Funds are contributing and can contribute.

In light of the above, our analysis of the implementation of the Lisbon Strategy is to a great extent a *process analysis*. With a view to understanding the potential and actual role of the Structural Funds, we address the following key questions:

- To what extent is the Lisbon Strategy a salient political programme in the Member States concerned? To what extent and in which fields has the Lisbon Strategy affected political agendas and political priorities?
- To what extent is there a coordinated and strategic approach to the achievement of the Lisbon Strategy's objectives in the Member States concerned? In this connection: How and to what extent have the Structural Funds been considered and actively utilised as an instrument for achieving the Lisbon Objectives?
- To what extent does work with the realisation of the Lisbon Strategy's objectives involve the regional level? Are the regions of the Member States concerned involved in activities which are directly related to the Lisbon Strategy, and if so, how?

We first review existing research on the implementation of the Lisbon Strategy. Existing research focuses to a great extent on the development and implementation of the National Action Plans. The case studies carried out in the context of the present project have a broader focus, asking questions about the significance of the Lisbon Strategy across a range of policy fields. Section 5.2 therefore describes the impact and broader significance of the Lisbon Strategy and the ways in which it influences national policymaking. The section also contains a description of how activities in connection with the Lisbon Strategy are organised in the various Member States and how the regional level is involved. In the concluding discussion, we provide an overall assessment.

5.1. Implementation Processes for Lisbon: Review of Research

This section briefly reviews existing research on the process of the implementation of the Lisbon Strategy. The section's focus is primarily on the implementation of the Lisbon Strategy as regards the National Action Plans for Employment, and to a lesser extent on the National Action Plans for Social Inclusion. This is because these are the areas in which relevant research has at present been undertaken or where comprehensive Member State reports containing relevant information are available.

As mentioned earlier, there is a broader body of research on the Open Method of Coordination as governance-structure. However, it is characteristic of this literature that to a large extent it focuses on questions which are only of limited relevance to the present context: The origins, factors behind, and characteristics (theoretical, descriptive, and normative) of the OMC, and on the interplay between the Commission and the Member States in those respects. Relatively little attention has been given to the actual implementation processes (or lack of the same) of the OMC within the Member States.[44]

Relevant studies focusing on implementation processes are forthcoming, however, e.g. Zeitlin and Pochet (eds., 2005), which focuses on the European Employment Strategy and the implementation and significance of the National Action Plans for Employment and Social Inclusion

Even if our focus in the review of existing research is on the National Action Plans, it is important to stress that this focus does not mean that implementation of the Lisbon Strategy is defined by these plans. This understanding is also reflected in the case studies carried out in connection with the present study.

National Action Plans for Employment and Social Inclusion

As mentioned in Chapter 3, two types of action plans are currently produced by each member state on a regular basis in connection with the Lisbon Strategy: The National Action Plans for Employment (NAP Employment) and the National Action Plans for Social Inclusion (NAP Inclusion).

Contrary to what their titles might suggest, these action plans relate to a rather broad spectrum of the Lisbon Strategy's overall and specific objectives. In particular the action plans for employment are broad, covering several aspects of the Lisbon Strategy structured as ten so-called employment guidelines, structured in 2003 under three overarching themes: full employment, quality and productivity at work, and cohesion and an inclusive labour market. These guidelines include areas such as measures for unemployed and inactive persons,

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[44] For an overview of publications in relation to the Open Method of Coordination see http://eucenter.wisc.edu/OMC/open12.html#books. No economic research on the Lisbon Strategy and its implementation has been identified. A study on the impacts of the Broad Economic Policy Guidelines for Member State policy-making has recently been launched by the Commission.

measures for stimulating entrepreneurship, lifelong learning, and gender equality.

The action plans for social inclusion include areas such as initiatives aimed at the weakest groups, plans for disabled people, health policies, cultural policies, and education policies. As opposed to the action plans for employment, the NAPs for Inclusion do not follow a rigid common template. They therefore appear to differ from each other to a greater degree and to build on national characteristics and priorities. However, a Common Outline for the 2003/2005 National Action Plans for Social Inclusion has been developed by the Social Protection Committee.[45]

Both types of National Action Plans combine a plan for actions to be taken in the future in order to achieve the stated objectives and a description of the actions already taken in the field. The action plans thus to a great extent consist of documentation of the steps taken in the various Member States.

Implementation Problems in the Employment Field[46]

There are a number of studies of implementation problems in the NAP process for the employment field. These studies are, howeve,r mostly based on data provided by the Commission's evaluations and the Joint Employment Reports (the Commission's and the Council's joint examinations of the national action plans), or by the NAPs themselves (Foden 1999a; Goetschy 1999, 2000; Keller 1999, 2000; Meulders & Plasman 1999; Lemière & Silvera 1999).

Most of the attention has been on the then first "pillar" of the employment strategy (employability), but case studies on the implementation of the entrepreneurship pillar in various countries have in addition been conducted (Foden & Magnusson 1999, 2000). In a recent study, Richard (2004) focuses on the "Childcare Strategy" of the European Employment Strategy, asking under what conditions national actors use the "European Childcare Strategy" implemented via the European Employment Strategy (EES) to influence the public provision of childcare.

Methodological questions related to benchmarking employment performances are discussed by Tronti (1999), and the issue of social partner participation by Foden (1999b). In total, these studies have pointed to a number of implementation problems:

- There is poor coordination of the policies of various pillars (Schmid 1999);
- Unequal attention given to the various pillars. Frequently, more attention is given to the employability and entrepreneurship pillars than to the adaptability and equal opportunity pillars (Commission 1998; Joint Employment Reports; Goetschy 2000; Schmid 1999);

[45] http://europa.eu.int/comm/employment_social/soc-prot/soc-incl/commonoutline2003final_en.pdf.
[46] This section is primarily based on Jacobsson and Schmid (2001).

- There is dissatisfaction with social partner involvement (JER; Foden 1999a, 1999b; Goetschy 1999, 2000);
- There are no clear links between employment and macro-economic policy nor any re-thinking of macro-economic priorities (Foden 1999a);
- There are insufficiently developed links with the ESF and with individual policies or programmes (CEC 1998; Foden 1999a; Goetschy 1999, 2000); - most NAPs tend to reflect national employment plans already adopted or planned (Goetschy 1999, 2000; Keller 2000);
- Budgetary implications are not spelled out nor are extra financial resources added (Commission 1998; Joint Employment Reports; Foden 1999a; Goetschy 1999; Keller 2000);
- Prevention is not emphasised enough (Commission 1998; Joint Employment Reports; Goetschy 1999, 2000);
- There is a lack of appropriate indicators (Commission 1998; Joint Employment Reports; Goetschy 1999).

Other, more general problems in relation to the employment policy process include the subordination of employment guidelines to monetary and economic guidelines; the scarcity of EU financial resources; and the risk of mere symbolic politics and the lack of real sanctions (Goetschy 2000; Keller 1999, 2000; Mosher 2000). Still, it is acknowledged that there has been procedural progress and also some progress in terms of content (Foden 1999a; Foden & Magnusson 1999, 2000; Goetschy 2000). Policy coordination based on other and more informal coordination mechanisms than European law-making should be expected to lead to gradual/incremental policy revision (Jacobsson 2001b). There is therefore a need for continuous studies.

The merits of the above-mentioned studies notwithstanding, they focus much on the NAPs themselves; their contents and biases and the risk that they may not have effect. Against this background, Jacobsson and Schmid (2001) pose a different set of questions, focusing on NAP procedures inside the Member States themselves. This question is particularly relevant in the context of the present study. Based on a case study of Denmark and Sweden, Jacobsson and Schmid conclude that:

- The impact of the NAPs on national policy-making is limited. The NAP process in the employment field is administered by international offices which work much like diplomatic missions, representing national policies and interests in the European process, but having little direct influence on what actually happens in their domestic labour markets (for a recent exploration of this issue for Sweden, see Vifell 2004).
- The NAPs are poorly communicated from the responsible Ministry to its own Agency and particularly to the lower levels of hierarchy and other agents of labour market policy. In these respects there is a considerable difference between the NAP processes and for instance the processes of formulating and implementing ESF policies and priorities in the two states.

- In both Sweden and Denmark it is difficult to point to government initiatives that correspond to one or more of the NAP guidelines. There are, however, a few instances where there is an explicit reference to the NAP.
- There may, however, be indirect ways in which the NAPs influence the national policy agenda and policy formulation in each state. NAP priorities may be taken on board by some domestic political actors, and indeed, employer organisations appear to have done so in relation to wage tax requirements in both countries, just as Richard (2004) suggests that this has been the case for employee organisations concerning the childcare element of the EES. However, on the whole, this kind of indirect influence appears to have been exceptional.

Five years after its launch in 1997, the European Employment Strategy was reviewed in 2002. To underpin such review, the Commission and the Member States had agreed in 2001 on a joint work programme, whereby the Commission would coordinate an impact evaluation based on national policy impact evaluation studies following a common thematic breakdown and on an EU-wide labour market performance assessment by the Commission.

In its synthesis of the impact evaluations, the Commission among other things concludes that the comprehensive approach of the EES generally strengthened national employment policy coherence and policy frameworks. Policies under each pillar of the EES were progressively adjusted and employment priorities were mainstreamed into other policy areas like taxation and social security. In addition, the Strategy has brought about a gradual change in priority from managing unemployment to managing employment growth, and has become gradually embedded in national policy formulation (Commission 2002b). The assessment of the significance of the EES and the National Action Plans as methods for fostering policy cooperation is positive.

Based partly on the Commission's 2002 review and partly on in-depth case studies of selected Member States, Zeitlin (2005) also formulates a number of relatively positive conclusions as regards the implementation and significance of the EES and the National Action Plans for Employment and Social Inclusion.

Acknowledging that it is methodologically very difficult to identify any causal relationships between on the one hand the OMC, the EES, and the action plans, and on the other hand substantive policy change and other types of changes in the Member States, Zeitlin nevertheless highlights a number of examples of national policy changes which are in full accordance with particularly the EES and probably directly related to it (the wider adoption of a preventive and individualised approach to the unemployed, the increasing significance of active labour market measures, increased emphasis on life-long learning, and increased emphasis on equal gender opportunities). The EES and the National Action Plans are also seen to have had significant and more indirect impacts, affecting political agendas and influencing the terms of the debate, stimulating the creation and use of common concepts and categories, and facilitating the discussion and evaluation of different solutions to similar problems.

5.2. Case Study Evidence on Lisbon Strategy Implementation

Existing research has primarily focused on the EES, the National Action Plans for Employment, and to some extent on their implementation. The case studies carried out in connection with the present study have a broader focus, asking about the significance of the Lisbon Strategy across a range of relevant policy fields and about the general organisation of work with the Lisbon Strategy, including the involvement of the regional level.

How does this information that covers a broader field fit with the research-based conclusions of the implementation of the NAPs for employment? Answers can be placed into two main categories: we distinguish between the Lisbon Strategy's <u>impact</u> and its <u>broader significance</u>

5.2.1. The Impact of the Lisbon Strategy

By the impact of the Lisbon Strategy we understand the Lisbon Strategy as a driving force for policy debates and for the initiation of specific reforms in those policy fields that are included in the Strategy.

Perhaps unsurprisingly, it is true for all the case study Member States that it is difficult to identify a significant impact of the Lisbon Strategy in this sense. To some extent this follows from the observation made in several of the case studies (the UK, Finland, Austria, Ireland) that the agenda of the Lisbon Strategy to a great degree fits the national political agenda, and that the overall objectives of the Lisbon Strategy are also to a great degree the overall objectives of the Governments in question.

This means that for these Member States a number of reforms that are highly relevant in relation to the Lisbon Strategy had already been initiated or implemented prior to the 2000 European Council, just as the political agenda was already to a great extent focused on the themes and priorities of the Lisbon Strategy. Hence, the Lisbon Strategy’s potential for affecting policy was somewhat exhausted at an early point in time.

this also means that it is difficult to describe the launch of new initiatives and reforms which are partly or fully congruent with the objectives of the Lisbon Strategy as “resulting from”- not to say “being caused by” - the Lisbon Strategy: These reforms would most likely have occurred anyway to some extent, since the Lisbon Agenda is also to a great degree the ruling governments’ agenda.

A variation of this situation is found in two other Member States, Sweden and Denmark. These countries have already to a very great extent achieved the objectives and targets defined in the Lisbon Strategy. This has meant that the Strategy did not imply any significant external pressure. There is therefore somewhat of a discrepancy between the agenda of the Lisbon Strategy and the overall political agenda in these two countries: In some respects there is much focus on "post-Lisbon" issues or on aspects of the Lisbon Strategy which are not regarded by other Member States as equally important.

In Denmark there is, for instance, some political focus on the promotion of embedded/pervasive computing and mobile computing/services rather than the Lisbon Strategy's focus on internet/broadband access. In Sweden, the question of environmental sustainability and the mainstreaming of the objective of sustainability appear to be much more important than in any other of the studied Member States. In Ireland, for instance, "sustainability" has tended to be more readily associated with the concept of sustaining economic growth rather than with the social and environmental dimensions that are (also) intended within the Lisbon Strategy.[47]

Finally, in some countries the Lisbon Strategy's impact has been low insofar as other and perhaps more immediate problems have overshadowed its importance and other issues have been higher on the agenda. In Portugal, France, and Spain, there appears to be generally a low level of attention to the Lisbon Strategy. In Germany, a number of reforms are being implemented, but with very little reference to the Lisbon Strategy. In Greece, the predominant concern remains "real convergence" with the rest of the EU.

Overall, the Lisbon Strategy has therefore not been a very significant driver for change in the Member States concerned. In general, the political debate has not been defined by the Lisbon Strategy, and initiated reforms have not resulted directly from the Lisbon Strategy.

There are, however, exceptions to this rule, and in specific policy fields there are a number of examples where the Lisbon Strategy seems to have had a considerable and direct impact:

- *Research and Development:* In Germany, the Lisbon Strategy is generally not a very salient issue. The exception is the Strategy's R&D theme, and there is a clear and continued focus in government spending plans on R&D growth. The Federal Minister for Research recently announced the intention to further increase expenditure on research and development by 3 per cent in 2005 despite severe budgetary constraints.[48] In Austria there is generally considerable focus on R&D, and the Lisbon Strategy is highlighted as boosting this development. Among other initiatives, a national foundation for research has been established in 2003, and certain tax schemes that favour private companies' investment in research have been implemented in order to boost private investment.[49] In Denmark, the Strategy is also seen to have provided impetus for increased research funding, inter alia the establishment of a high-technology research fund of significant scale. In Italy, the Guidelines for the 2002-2004 National Research Plan define an objective for

[47] Irish Case Study p. 27.
[48] German CSF Case Study p. 17-18.
[49] Austrian Case Study pp. 16 and 20.

the period 2003-2006 to move the percentage rate of public investment in R&D from the actual 0,6 per cent to 1 per cent of GDP.[50] Based on this perspective the Guidelines estimate a further increase of the percentage of the GDP devoted to R&D, confirming the target objective of achieving the ambitious rate of 2 per cent in 2006.[51] In the UK, new R&D spending plans together with tax breaks for innovation and R&D, announced by the Chancellor of the Exchequer in 2003, are likely in the years ahead to lead to an overall increase in R&D spending and in the share of the private sector within this.[52] In Ireland, a specific policy measure that can be directly linked to the Lisbon Strategy is the introduction of R&D tax credits. This is a fiscal policy measure introduced in the Budget 2004 as a part of an integrated strategy to increase private business R&D expenditure.[53]

- *IT-infrastructure:* In Finland and Greece we find a close integration between the eEurope initiative and national/regional broadband initiatives. These initiatives aim to provide broadband access to remote regions. Telemarkets have been liberalised, and therefore the initiatives focus mainly on outlining strategic policy plans and are based on a significant involvement of the private sector. In Ireland, the Lisbon Strategy has been associated with a focus on generating uptake via provision of eServices such as eHealth and eGovernment services.

- *Skills for the Information Society:* In Finland, the Government's Information Society Policy Programme[54] covers all the main objectives of the eEurope2005 Action Plan and several national priorities. The development of information society skills is a part of the programme. Among the Finnish government strategies and policy documents, the Information Society Policy Programme has the most visible relation to the implementation of the Lisbon Strategy. In Denmark, significant investments have been made with a view to increase the number of PCs in schools and provide broadband connections to all schools. Furthermore, the so-called "Pedagogical IT-drivers license" has been introduced, equipping 35.000 teachers with necessary ICT skills.[55] In Austria, the initiative "eFit Austria" covers the field of "eEducation" and comprises a number of quantitative objectives for teachers' ICT skills and know-how to be reached by 2005.[56] In Spain, the project "Espana.es" is a national reflection of the EU's eEurope initiative. It aims to extend the use of information technology and is backed by significant funding.[57]

A range of other reforms and activities could be mentioned throughout the concerned Member States. However, for these measures, the link to the Lisbon

[50] Linee guida per la politica scientifica del governo, Ministero per l'Istruzione, l'Università e la Ricerca, Roma, Apr. 2002, p. 11.
[51] Linee guida per la politica scientifica del governo, Ministero per l'Istruzione, l'Università e la Ricerca, Roma, Apr. 2002, pp. 35-39.
[52] Western Scotland Case Study, pp. 10 and 12.
[53] Government of the Republic of Ireland, Budget 2004, Department of Finance.
[54] Valtioneuvoston kanslia 2004. More information: http://www.tietoyhteiskuntaohjelma.fi/en_GB/.
[55] http://skole-it.emu.dk/
[56] See http://www.efit.at/english/eeducation
[57] Spanish / Extremadura Case Study, pp. 17-21; On Espana.es, see http://www.red.es/MungoBlobs/espana_es.pdf.

Strategy is generally weaker than for the initiatives mentioned above. It must also be recalled that some of the policy fields covered by the Lisbon Strategy are not included in the focus of the case studies. This pertains to reforms for improving the functioning of markets, pension reform, and reforms of the formal education systems of the Member States.

Finally, it can be highlighted that for some of the Lisbon Strategy's themes, the direct impacts seem very small. This applies to the question of environmental sustainability and also to the field of social inclusion, where few significant initiatives and measures have been identified that can be directly connected to the Strategy.

As regards environmental sustainability, there is also a notable discrepancy between the saliency of the issue on the national political agenda in the context of the Lisbon Strategy, as registered by our case study researchers, and the degree to which actual reforms have been implemented with a view to environmental sustainability, cf. table 5.1.

Table 5.1. Sustainable Development: Difference between Saliency and Reform Activity[58]

Sustainable Development	EU 12	DK	FIN	F	GR	IRE	IT	P	UK	SW	GE	A	SP
Avg. reform score	**2,3**	1,0	2,7	3,0	2,3	2,7	1,0	2,3	1,7	1,0	4,3	3,0	3,0
Saliency score	**3,3**	3,0	4,0	4,0	4,0	3,0	2,0	3,0	4,0	2,0	4,0	4,0	2,0
Difference	**-0,9**	-2,0	-1,3	-1,0	-1,7	-0,3	-1,0	-0,7	-2,3	-1,0	0,3	-1,0	1,0

In most of the studied Member States, there is a clear difference between the political saliency of environmental sustainability and the actual reforms (legislative, budgetary, administrative) which have been implemented or are being considered. For the 12 studied Member States as a whole, the difference is almost a full point on a five point scale.

5.2.2. The Significance of the Lisbon Strategy: Different Member State Approaches

The observations above do not imply that the Lisbon Strategy has been of little or modest significance. Even if its direct impacts on agendas and reforms seem limited, there is evidence that the Strategy has in several of the study's Member States been of significance in other and more indirect respects. This section explores this broader significance of the Strategy.

It is necessary in this connection to distinguish between the Member States, as different national circumstances and framework conditions affect 1) the level of political saliency and as a consequence of this also 2) the nature of the Lisbon Strategy's significance.

[58] The methodology behind the figures is explained below.

In the 12 Member States studied in the case studies, the researchers were asked, for the 10 policy areas of greatest relevance for the Lisbon Strategy in the present context, [59] to assign a score (1-5) to measure the 1) the saliency of the Lisbon Strategy in each political area and 2) the scope of reform activities related to the Lisbon Strategy.[60] This scoring matrix formed the backbone for the qualitative elaboration in the case studies. Subsequently, a score for the overall achievement of selected Lisbon Strategy targets was calculated for the 12 Member States concerned, based on available relevant data from the Eurostat Structural Indicator database.

This method has some weaknesses. Methodologically, it must be emphasised that the data concerned to a great extent consist of assessments, based on available written documentation, and interview data. Furthermore, the researchers were asked to assess the significance of the Lisbon Strategy in several individual fields regarding policy saliency and three different types of reform, not the general saliency of the various fields and reforms in these fields. This distinction is difficult to make. Third, a discrepancy between saliency scores and reform scores can be interpreted in different ways: It is possible to find examples where a policy theme is very high on the political agenda, but this does not manifest in any significant reforms. One possible explanation is that the situation is characterised by non-committal discussion. It is an equally possible interpretation, however, that an area may be high on the political agenda but that necessary reforms have already been implemented.

Against this background, the data generated by this method should clearly be interpreted quite cautiously. At the same time, however, it must be emphasised that the rich qualitative information contained in the case studies has been used to validate the interpretation of the data.

The above methodological reservations notwithstanding, it is possible to identify four different groups of Member States in terms of the Lisbon Strategy's saliency, its relation to reforms, and each Member State's achievement of the most relevant quantitative Lisbon Strategy objectives.

Notice that this table provides only aggregate information and hides variation in the scores of specific Member States. A Member State with a relatively low overall saliency in the policy fields of the Lisbon Strategy may for instance very well score high on the saliency of one or two policy themes. Furthermore, as regards the achievement of the quantitative Lisbon Strategy goals, only those structural indicators that are most relevant in the context of the current project are included in the assignment of goal achievement scoring. The list of relevant quantitative Lisbon Strategy targets can be found in Annex 6.

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[59] The policy areas are: Overall Economic Policy Mix, IT Infrastructure, Research and Development, Lifelong Learning, Skills for the Information Society, Enlarging the Workforce, Increasing Employability, Business Development, Social Inclusion, and Sustainable Development. For the operational definitions of policy saliency, please refer to Annex 5.

[60] Researchers were asked to assess the scope of reforms along three different dimensions: Legislative reforms, administrative reforms, and reforms of budget allocations. For the operational definitions of the scopes of reform, please refer to Annex 5.

Table 5.2: National Lisbon Strategy Implementation Scores.[61]

	F	SW	DK	SP	P	I	UK	GE	GR	IRE	FIN	A
Overall saliency score *(index 100=45)*	37	40	46	51	51	55	66	70	73	77	79	79
Average reform score *(Index 100=135)*	40	20	36	50	38	34	40	76	48	70	50	68
Goal achievement *(maximum score=100)*	38	84	76	15	22	26	49	46	18	32	71	45

Following Table 5.2, we can group the Member States concerned into one of four groups. We term these groups “the achievers”, “the eager reformers”, “the national reformers” and “the challenged”. The “achiever” Member States are characterised by relatively low saliency scores, relatively low average reform scores, and relatively high goal achievement scores. The “eager reformers” are characterised by relatively high saliency and reform scores and medium to high goal achievement scores.

Table 5.3: Categorisation of Types of Member States in Lisbon Implementation

	“The achievers”	**“The eager reformers”**	**“The national reformers”**	**“The challenged”**
Average saliency score	Low	High	Medium	Low/medium
Average reform score	Low	High	Medium/high	Low/medium
Goal achievement	High	Medium/High	Medium	Low

The “national reformers” are characterised by medium saliency scores, medium-to-high reform scores, and medium goal achievement scores. Finally, the “challenged” are characterised by low-to-medium saliency scores, low-to-medium reform scores, and low goal achievement scores. According to these criteria, the Member States covered by the case studies are distributed as follows:

- The group of “achiever” Member States consists of Sweden and Denmark
- The groups of “eager reformers” consists of Finland, Austria and Ireland

[61] The overall saliency score is calculated by adding the scores assigned to each of the included Lisbon themes. The average reform score is an average of the reform score (administrative, legal and budgetary reform) for each of the 10 included Lisbon Strategy policy fields. The score for goal achievement is based on an assignment of scores for each of the seven Lisbon Strategy themes listed in Annex 8 (employment, IT infrastructure investment, research & development, investment in human capital, investment in business development, social inclusion and sustainable development) according to the latest available Eurostat data. For each of the targets listed on these themes, a score between 0 and 3 has been assigned. 1) For absolute quantitative targets, a score between 1 and 3 has been assigned on the basis of the relative difference to the target. 2) For broader, relative targets (e.g. “widespread internet access”) a score between 0 and 3 has been assigned on the basis of the relative difference to the average for the 12 studied Member States. 3) For development targets (“decrease”/”increase”) a score between 0 and 3 has been assigned on the basis of the relative difference to the average for the 12 studied Member States and the figure 1 has been subtracted from the score if development in the studied period is negative and added if development is positive. 4) For the target on reduction of greenhouse gas emissions (Kyoto protocol), the score 0 has been assigned for a negative development and 1 for a positive development. The scoring of each Lisbon Strategy theme is weighted equally in the calculation of the overall score. Please refer to Annex 8 for details. All scores have been indexed (maximum possible score = 100).

- The group of “national reformers” consists of Germany and the United Kingdom
- The group of "challenged" Member States consists of Portugal, Italy, France, Spain, and Greece.

In the following, we elaborate on the characteristics and situations of the various groups of Member States.

”The Achievers”: Sweden and Denmark

The characteristics of the two “achiever” Member States imply that there is little external pressure flowing from the Lisbon Strategy on the countries to perform and reform. This does not mean that there is no political attention to the themes covered by the Lisbon Strategy or that no reforms are being undertaken. However, where reforms pertain to the policy fields that are prioritised in the Lisbon Strategy, these reforms are mostly only very indirectly related to the Strategy, and their specific contents are often not central in relation to the Lisbon Strategy: Some of the issues that are discussed within the Lisbon Strategy’s policy fields concern “post-Lisbon issues” or a “post-Lisbon” prioritisation of themes that are covered within the overall Lisbon Strategy.

Increasing employment rates is, for instance, not a major concern in Denmark, although it is to some extent being discussed with a view to ensuring the long-term financial sustainability of the welfare state. Instead, focus is much more on increasing employment levels among immigrants and refugees, as low employment levels are seen not only as a financial burden to Danish society but also as a cause of social tension and unrest. Another example of a “post-Lisbon” prioritisation of different themes is the focus on sustainability and the mainstreaming of environmental sustainability in Sweden which has already been mentioned. A third example of a “post-Lisbon” orientation concerns information technology, where focus is more on advanced issues such as convergence, embedded/pervasive computing, and mobility, than on increasing internet or broadband access.

In spite of the largely absent pressure to achieve the Lisbon Strategy’s objectives, however, the Lisbon Strategy is considered important and relevant in the two countries' key Ministries, but for reasons that are different from those we find in other Member States. First, the themes and priorities that are identified in the Lisbon Strategy are generally considered relevant and important, and the Strategy is seen to be helpful in maintaining a focus on a series of important issues, both within the two countries concerned and in the wider European Union. As formulated by a Danish Ministry of Finance civil servant:

> *“Lisbon is like a road that everyone wants to be on. You may want to be on the left or the right side of the road, but no one wants to leave it altogether. It defines good manners for European policy making”.*[62]

[62] Interview data, Danish Ministry of Finance, May 2004.

Second, another characteristic of the two Member States characterised as "achievers" is their focus on the Lisbon Strategy as an instrument for knowledge-sharing and the exchange of experience. This is particularly important in a context where representatives of the two countries' governments emphasise the need for the EU as such to develop along the lines defined by the Lisbon Strategy's objectives. Representatives of relevant Swedish and Danish ministries are concerned with the overall Lisbon objective of creating in the Union the most dynamic and competitive economy in the world by 2010. This can only happen if all Member States move forward with implementing the reforms called for in the Lisbon Strategy. In this connection, there is a belief that Swedish and Danish experiences can be useful and can assist other Member States in avoiding replication of unfortunate experiences.

As formulated in the Swedish case study: "Despite the fact that the objectives are fulfilled, the ministries stress that the Lisbon Strategy is still important, particularly on the European level. Above all, it is stressed that Sweden is a small open economy intertwined (economically, ecologically etc.) with the other countries in the Union. The dependency on the other European countries means that it is important that the entire European Union has a well performing economy and a well functioning labour market and social system."[63]

A Danish civil servant highlighted the same two-sided interest in the Lisbon Strategy, in slightly different words:

> *"There are two perspectives in the Danish view on Lisbon. 1: The 'Christian' perspective – we should help the other countries to overcome barriers so that they avoid replicating our problems, and 2: The self-interested perspective – we need to help the other countries implement the Lisbon Strategy so that we avoid unfair competition. We all need somewhat similar social benefit systems and labour protection laws in order to avoid social tourism and other countries exploiting their competitive advantages via low wages".*[64]

The status of operational activities concerning the Lisbon Strategy in the two countries reflects these characteristics. As we shall return to in a later section, there is high-level coordination in the preparation of the spring meetings of the European Council. Similarly, the development of the National Action Plans for Employment and Social Inclusion takes place in a structured and well-coordinated way. However, in both cases the key objectives are to prepare convincing arguments and statements in an overall European context and to present and document the policies and initiatives that are already in place as regards active employment policies, entrepreneurship, social inclusion, etc. It is not meant to guide policy development and reforms in one particular strategic direction: The direction defined by the objectives of the Lisbon Strategy.

[63] Norra Norrland/Swedish Case Study, p. 13.
[64] Bornholm/Danish Case Study p. 18.

To sum up, significant political attention is devoted in key ministries in the two countries to the policy fields defined as important by the Lisbon Strategy. However, due to the relatively advanced situation of the two Member States as regards the achievement of the Strategy's objectives, it is very difficult to directly link many significant reforms to the Lisbon Strategy. The significance of Lisbon is primarily seen to be as a tool for maintaining focus on the right issues and priorities, as an instrument for the systematic exchange of knowledge and experience throughout the EU, and as a strategy which is to help other EU Member States to advance towards the Lisbon objectives.

"The Eager Reformers": Finland, Austria, and Ireland

The "eager reformer" Member States are characterised by relatively high saliency and reform scores and medium-to-high goal achievement scores.

The Lisbon Strategy does not in general define policy development in the "eager reformer" Member States. The overall conclusion concerning the direct impact of the Lisbon Strategy also applies to Finland, Austria and Ireland: The Lisbon Strategy in itself is not a key driving force for policy debates and for the initiation of specific reforms in those policy fields that are included in the Strategy. However, there are differences between the ways in which the Lisbon Strategy has been *taken up* in different Member States: Its salience, the way in which it has been utilised, and the manners in which it has been incorporated into national development plans and development strategies.

In these respects, Finland, Austria, and Ireland distinguish themselves from the other nine Member States studied (although there are also clear differences between the three). This assessment is based on the qualitative information contained in the case studies in the three countries, and it is supported by the implementation scores in the sense that the assessment is fully compatible with these scores: The scores indicate that there is considerable political attention devoted to the issues and fields covered by the Lisbon Strategy and that a number of reforms are being implemented. At the same time, all three countries are confronting some challenges in realising the Strategy's objectives.

This pressure, which reflects certain structural economic, social or environmental weaknesses in the countries concerned, is in our assessment amplified by other perceived external pressures situated in the present or in the past. Finland confronts the structural challenge of being located at the geographical periphery of Europe, and the country has in recent history experienced serious economic fluctuations highlighting the need to reduce economic dependency and other forms of dependencies on individual neighbouring markets. In Austria there seems to be a predominant perception that EU enlargement poses a significant challenged that needs to be addressed pro-actively, not least in the form of concerted efforts to increase international competitiveness.[65] In Ireland, a historical background of relative poverty and deep structural economic weaknesses seems to constitute a motivating factor for making the best possible use of all available possibilities for enhanced economic development – albeit this background preceded the Lisbon Strategy.[66]

The "Take Up" of the Lisbon Strategy
The result seems to be that there is a certain urgency – at least in comparison to most other Member States - in the efforts to reform and modernise the three countries.

The result is also that there is a very significant overlap between the goals and policy themes formulated in the Lisbon Strategy and the national challenges identified in the three countries. The policy areas and the objectives of the Strategy are considered very important from a national perspective, and the Lisbon Strategy is taken up and to some extent integrated in national development plans and programmes against this background. It is here that the eager reformer countries differ from the Member States categorised as "achievers" those from those categorised as "challenged".[67]

Some examples from the case studies serve to illustrate the point that the Lisbon Strategy has been important and has been "taken up" in national policy making:

- The Finnish Government's Strategy Document, which covers four horizontal and cross-sectoral Policy Programmes for employment, information society, entrepreneurship, and civil participation, in itself illustrates the overlap between the Government's policy priorities and those of the Lisbon Strategy, just as it illustrates an integrated, cross-sectoral approach to reform and development that is reflected in the Lisbon Strategy.[68]

- The development and implementation of the National Action Plan for Employment in Finland is no longer a separate process. In 2003, the Ministry of Labour thus approved the National Labour Policy Strategy 2003-2007-2010, which integrates the EU Employment Policy Strategy. The goals are set for the year 2010, but the changes in policy which are required to meet the goals should be implemented by 2007. This development in effect means

[65] "In general, due to its geographic location the enlargement of the European Union seems to be a more important political issue than the Lisbon Objectives – although many Austrian initiatives follow the same objectives as the Lisbon Strategy", Austrian Case Study p. 14.
[66] "[I]ssues around employment feature prominently in the communication from the Irish Government to the rest of the EU partners – *The Irish Priorities Paper*, outlining the priorities selected for the Irish Presidency of the EU, and the Spring European Council 2003 (http://www.taoiseach.gov.ie/upload/irishpriorities.rtf). Indeed the whole theme of employment and the high level of attention given to it can at least partially be attributed to the Irish economic history and memories of a very bleak employment situation in the not so distant past, where the unemployment rates were in double digits". Irish Case Study p. 24.
[67] If the Lisbon Strategy's objectives are too "basic" for the Member States categorised as "achievers", they are frequently too "advanced" or considered somewhat irrelevant due to other national problems in Member States categorised as "challenged". For the "eager reformers" the Lisbon objectives are seen as relevant for policy development and reforms.
[68] Valtioneuvoston kanslia 2004. Valtioneuvoston kanslia 2004. Implementation plan of the Programme in English is found in the address: http://www.ktm.fi/index.phtml?menu_id=983&lang=3

that Lisbon's Employment Strategy elements have been incorporated into the general government development strategy.[69]

- The Finnish Ministry of Education's Policy for Entrepreneurship Education, which forms an element in the Government's Entrepreneurship Policy Programme (one of the Government's horizontal and cross-sectoral strategic policy programmes and hence a part of the overall Government Strategy) fully reflects the Lisbon Strategy's approach and the Commission's Green Paper on Entrepreneurship in Europe.[70] According to the Finnish Government Programme, measures will be taken to promote entrepreneurship at different levels of education, to enhance the attractiveness of entrepreneurship as a career, to take account of the needs of small and medium-sized enterprises in education policy projects, to develop advisory services geared to entrepreneurs who hire employees, and to improve business owners' opportunities for apprenticeship training.

- The Finnish government's Information Society Policy Programme mentioned above covers all the main objectives of the eEurope2005 Action Plan, just as it includes several national priorities.[71] Among the Finnish government strategy- and policy documents, the Information Society Policy Programme has the most visible relation to the Lisbon Strategy.

- In Austria, European economic objectives have played an important role in Austria's economic policies ever since the adoption of the Lisbon Strategy in 2000. The chapter on the Austrian economy and business location in the current programme of Austria's government explicitly refers to the Lisbon Strategy and strictly complies with the global Lisbon objectives.[72] The official Report on Austria's Economy in 2003 (published by the Federal Ministry for Economic Affairs and Labour) goes even further: It mentions the ranking of EU member states by the overall result of all structural indicators defined in the context of the Lisbon Strategy, where Austria improved its position from eighth place in 2001 and 2002 to fifth place in 2003. The ambitious aim for the future is to rank among the "top three" within the European Union by the year 2010.

- The Austrian government has declared its aim to boost expenditures on R&D to 2.5 per cent of GDP by 2006 and to 3 per cent by 2010. For this purpose, the Austrian Council for Research and Technology Development was established in 2000. By the end of 2002 it published the National Plan for Research and Innovation. This report defines the long-term Austrian strategy for research and technological development – with explicit reference to the Lisbon Strategy. One of the most visible changes is the plan to physically bring together all institutions responsible for the promotion of research in a so-called "House of research" which will be built in Vienna.[73] The national

[69] Työministeriö 2003, *Työpolitiikan strategia 2003-2007-2010*, Työhallinnon julkaisuja 334, Helsinki. National employment strategy, http://www.mol.fi/julkaisut/tyopolitiikanstrategia2010.pdf.
[70] Satakunta/Finnish Case Study p. 15.
[71] Valtioneuvoston kanslia 2004. More information: http://www.tietoyhteiskuntaohjelma.fi/en_GB/.
[72] Excerpts from the Austrian government programme 2003.
[73] Forschungsförderungs-Strukturreformgesetz 2004.

strategy to set up so-called competence centres in different fields of science and research is also seen to have been massively supported by the Lisbon initiative. “The field of research and development is one of the policy areas which got an enormous boost by the Lisbon Strategy”.[74] “Probably, the Austrian government would not have declared its aim to boost expenditures on R&D to 3 per cent of GDP by 2010 without international incentives set forward by the Lisbon Initiative”.[75]

- The Austrian NAP for employment plays an important role in several policy fields, and is considered one of the most important instruments for the implementation of the Lisbon Strategy in the country. The evaluation of the Austrian NAP (employment) for the years 1998 to 2002 concludes that the NAP provided important additional stimuli in Austrian labour market and structural policies. It focused top political and administrative attention towards active labour market and employment policies, it encouraged change management in the labour market service (AMS), and it helped to mobilise additional financial funds (Alteneder 2002: 4-8).

- In Ireland, it is more difficult to identify instances where the Lisbon Strategy’s priorities and instruments have been directly incorporated into Government strategy plans and policy documents. Probably this has to do with the fact a comprehensive development plan, the National Development Plan, had already been adopted in 1999 prior to the agreement on the Lisbon conclusions. However, since the Strategy's inception, *competitiveness* and maintained and increased *employment* opportunities have been at the core of national policy and have been seen as a key to sustainable economic growth. On the other hand, the importance of *knowledge economy* issues has been recognised of late as one of the most relevant Lisbon aims.[76]

- In this connection, the importance of broadband availability has been recognised as one of the crucial issues for enhancing overall national competitiveness if the shift to a knowledge economy is to be fully made. The Lisbon Agenda appears to have given an added impetus to policy actions at national level in this regard. Thus, the Broadband Action plan has been lunched, a major initiative aiming to drive the national broadband market, underpinned by an allocation of 140m euro of funding (35m euro per annum until 2007).[77]

Strategic Development Orientation
In contrast to the situation in the Member States categorised as “achievers”, the instruments offered by the Lisbon Strategy’s approach would seem to be utilised in a more development and reform-oriented way by the “eager reformers”. For example, the development of the Danish National Action Plan for Employment is to a great extent considered a reporting activity, and the plan as such has little impact on national policy development.[78] Compare this to the situation in

[74] Niederösterreich/Austrian Case Study p. 16, quoting interview data.
[75] Niederösterreich/Austrian Case Study p. 20.
[76] Irish CSF Case Study p. 16.
[77] Irish CSF Case Study p. 22.
[78] Interview data, Danish Ministry of Employment, May 2004.

Austria, where as mentioned above the National Action Plan for Employment is seen to have provided significant stimuli for labour market and structural policies, to have focused attention towards active employment and labour market policies, and to have encouraged change management and help mobilise additional funding. In Finland, the National Action Plan for Employment has become part of the ambitious National Labour Policy Strategy 2003-2007-2010.

In Ireland, there are no similar examples, but this reflects a further characteristic that seems to distinguish the "eager reformers" from other Member States: To a greater extent there appears to be a *strategic approach* to economic development and modernisation in the three countries, by which we mean policy development being guided by medium- and long-term objectives and involving coordinated and prioritised cross-sectoral initiatives and reforms. For Ireland this means that strategic development plans (most importantly the National Development Plan) were already in place before the adoption of the Lisbon Strategy, for which reason the Lisbon Strategy does not seem to have provided impetus to the national approach in this respect. Instead, the objectives of Strategy are to a great extent reflected in existing Government plans and strategies.[79]

A strategic development approach may also have preceded the Lisbon Strategy in Finland and Austria. However, in these two countries there are more examples that the Lisbon Strategy's approach has been directly taken up and used as an impetus to further develop national strategies and priorities. The formulation of an ambition for Austria to rank among the "top three" in the European Union by the year 2010 in terms of the Lisbon Strategy's structural indicators and the launch of a range of regulatory reforms in this connection are very illustrative.[80] In Finland, the new Government's Strategic Document comprises four cross-sectoral Policy Programmes in the fields of employment, information society, entrepreneurship, and inclusion. The establishment of these programmes marks a significant change in national level strategy work.[81] It would probably be wrong to attribute this to the Lisbon Strategy in a causal manner, but as a minimum there is a very significant overlap between the Strategic Document and the Lisbon Strategy in terms of priorities and objectives, and it is noticeable indeed that the Document marks a significant development towards a more strategic focus.

"The National Reformers": Germany and the UK

The two "national reformer" Member States are characterized by medium saliency scores, medium to high reform scores, and medium goal achievement scores.

"The national reformers" share with the "eager reformers" the characteristic that there is a high degree of overlap between the objectives of the Lisbon Strategy

[79] For instance, the Department of the Taoiseach (the office of the Prime Minister) has been instrumental in pushing some key issues in relation to the Information Society, utilising the policy framework which was largely established already in 1999. Irish Case Study, p. 11.
[80] Niederösterreich/Austrian Case Study, p. 19.
[81] Satakunta/Finnish Case Study, p. 11.

and the national political agenda. Similarly, a range of reforms are being initiated or implemented in the policy fields covered by the Lisbon Strategy. The objectives of the Lisbon Strategy are also relevant in the sense that these objectives have not been fully (the UK), or only partially (Germany), achieved.

What separates the "national reformers" from the "eager reformers" is then first of all the fact that the Lisbon Strategy is much less explicitly incorporated into national policy making than is the case in Austria, Finland, and to a lesser extent Ireland.

Having said this, it must be acknowledged that there are very significant differences between the situation in the UK and Germany. For this reason, it is necessary to distinguish between the two in the remainder of this section.

The United Kingdom: The Tacit Significance of Lisbon

In a number of respects, the United Kingdom could be categorised as an "eager reformer" in the present context. The Lisbon Strategy has had - and has - an important influence on public policy debates, although since the Strategy is extremely close to the UK Government's key policies in the relevant areas (especially competitiveness, social inclusion, and e-society) it is extremely hard to identify precisely what originates from the Lisbon Strategy process and what would have happened anyway as a result of new policies and approaches.[82] Furthermore, since the UK is already doing well in terms of overall employment objectives, the saliency of the Lisbon Strategy's themes is especially evident in the areas of competitiveness and social inclusion.

At the same time, it is very characteristic of the situation in Britain that there is a clear tendency to 'downplay' initiatives coming from EU level and to portray key elements of such initiatives which its Government favours as national in character, reflecting the sceptical attitude towards European integration in particular of the English part of the UK population and a tendency for the British newspaper media to be hostile towards integration.

A number of recent initiatives and reforms, mostly administrative and budgetary of nature, are fully compliant with the Lisbon Strategy's priorities and pursue the objectives set down in the Strategy. Some of the most important can be high-lighted:[83]

- The Chancellor of the Exchequer announced new initiatives in 2003 to increase the volume of R&D spending in the UK with emphasis on R&D spending within SMEs, thus explicitly linking R&D with innovation and competitiveness.
- Lifelong learning has also been increasingly politically salient in the UK as a result of on-going restructuring of the economy, the skills needed in the 'new

[82] One (public sector) interviewee said "Lisbon sets out the Government's agenda pretty squarely". Western Scotland/UK Case Study p. 12.
[83] Western Scotland/ UK Case Study, pp. 15-16.

economy', and demographic changes leading to a shrinking working-age population.
- The roll-out of infrastructure to support broadband communications technologies has also become a priority and, more recently, issues of e-inclusion have become a topic for a Department of Work and Pensions working group.
- Budgetary support for the social inclusion National Action Plan of € 75 million over 5 years. This covers transnational exchanges, research, identification of good practices, etc.

On the other hand, there is little evidence that the Lisbon Strategy's approaches and instruments have influenced in any significant manner the strategic approach of the British Government. There is much rhetoric around 'joined up Government' in the UK. However, interviews with Departmental officials indicated that although coordination within departments is good, it is less so between departments. Non-Government bodies are more critical, being united in claiming a lack of coordination within central Government.

Germany: Reforms in the Context of Crisis

The situation in Germany is to a great extent affected by the presence of significant structural economic challenges:

- The protracted structural economic weaknesses of the New Federal States
- Continuing slow economic growth and high unemployment rates in the New Federal States in particular and in the whole of the country in general.
- Public sector budget deficits that exceed the limits defined by the EU's Growth and Stability Pact.

In this context, the priority for the federal government has been labour market reform and the reforms of the social security systems (Agenda 2010) on the one hand, and the strengthening of the innovation potential of the German national economy on the other.

Overall, these priorities are in compliance with the Lisbon Strategy's objectives, and by its own assessment the German government provides an important contribution to the implementation of the Lisbon Strategy within the particular German national framework.[84]

As is the case in the United Kingdom, it also seems clear that a range of reforms is being implemented, and that these reforms generally pursue objectives that are in accordance with the Lisbon Strategy. Moreover, in the context of the weak economic situation and high unemployment rates in Germany, these reforms appear considerably more far-reaching and politically painful than is the case in Britain.

The reform package Agenda 2010 thus comprises a number of measures for increasing the flexibility of the labour market and for re-structuring the social security systems which on some accounts break with fundamental and firmly

[84] Position paper presented by the Federal Government for the Spring 2004 European Council.

embedded welfare state principles. Among other things, Agenda 2010 contains a range of measures aimed at facilitating new employment by positively influencing enterprises' willingness to hire more staff and by increasing unemployed persons' incentives to seek work. Marginal part-time employment is made more attractive and the protection against wrongful dismissal is loosened. Unemployed persons are being encouraged to become self-employed, and eligibility periods for unemployment benefits are being shortened. The Federal Employment Service is being re-structured in order to place unemployed persons faster and more directly.

Less far-reaching initiatives are also in full compliance with the Lisbon Strategy. This applies to the initiative "Partnership for Innovation" which aims to strengthen the innovative potential of German industry. It also applies to the national action programme "Innovation and Workplaces in the Information Society of the 21st Century", the 2001 the action program "Lifelong Learning for Everybody", and more importantly the foreseen budget reallocations that are to transfer funds from public consumption towards the research and development sector: An expenditure increase of 3 per cent is foreseen for research activities in 2005.

In general, however, it seems clear that the Lisbon Strategy is not a prominent tool for the development of public policy, nor has it in itself affected the public policy agenda significantly. Reform has first of all been spurred by the continuing weaknesses of the German economy, and if European Union initiatives have affected policy development in Germany, it is the Growth and Stability Pact more than the Lisbon Strategy.[85]

"The Challenged": Portugal, Italy, France, Spain, and Greece

This final group of Member States is characterised by low-to-medium saliency scores, low-to-medium reform scores, and relatively low goal achievement scores. This is the group of countries where the Lisbon Strategy appears to be of least significance. This seems largely to reflect the fact that there are a number of differences between these countries' political agendas and challenges and the Lisbon Strategy's objectives and priorities.

Furthermore, these are also the Member States where the institutional frameworks for monitoring and implementing the Lisbon Strategy at national level seem to be least developed. This does not mean that there is no focus on development and initiatives at a strategic level, only that focus is rarely directly connected to the Lisbon Strategy.

The situation in Greece and Portugal is illustrative of these observations. Both countries are preoccupied with challenges that in several ways differ from the Lisbon Strategy's focus.

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[85] "The Lisbon Strategy is largely unknown to the German public. Reform measures are most often not explicitly linked to the Lisbon Strategy in politics and the media. Reforms in the sectors of R&D, education, and telecommunications infrastructure are the exceptions to this rule". German CSF Case Study, p. 6.

In Portugal, the major concern for the political leadership has been the attempt to live up to the public budget deficit requirements of the Growth and Stability Pact, rather than an increase in investment in the fields advocated by the Lisbon Strategy.[86] This has meant that in effect no references are made by the present Portuguese Government to the Lisbon Strategy in key policy documents. At present, the Lisbon Strategy objectives are addressed in the CIAC (Interministerial Commission for Community Affairs) along with other Community issues.[87]

However, for some recent reform initiatives there are significant overlaps with the objectives of the Lisbon Strategy. The Programme for Economic Reform launched in July 2002 by the Ministry of Economy thus aimed at the improvement of productivity and competitiveness of the Portuguese economy, namely through: i) the promotion of the productive investment; ii) the consolidation and revitalisation of the business environment and; iii) the fostering of R&D and innovation.

Several other initiatives and action plans more directly related to the Lisbon Strategy can be mentioned, but it is characteristic that they have been related to concrete actions only to a limited extent and do not seem to have been implemented to any very significant effect.[88]

In Greece, the predominant concern is with the achievement of real convergence with the other EU Member States, and the Implementation of the Lisbon Strategy at National Level is closely related to the Structural Funds, which are seen as the main mechanism of implementing and funding the various policies and initiatives.[89] The objectives of the Lisbon Strategy are reflected in the adoption of several relevant statements and action plans by the previous government,[90] often within the framework of the Open Method of Coordination (the National Report on Structural Reforms 2003, the NAPs for Employment and Social Inclusion, the White Paper "Greece in the Information Society: Strategy and Actions", a National Action Plan for Gender Equality, the Green Paper "To the Knowledge Economy: Prospect and Roles" on R&D), and it is fair to say that there is no disagreement with the overall objectives of the Lisbon Strategy.

At the same time, however, there is a continued focus on basic infrastructure investment. The 2003 Update of the Hellenic Stability and Growth Programme 2003-2006, for instance, states that Greece in the coming years will continue its efforts to make the best use of the resources of the 3rd Community Support Framework by completing investment in basic infrastructures, which will significantly enhance private and public sector productivity. Investment in education and training of the labour force is also mentioned in this context, however.

[86] Portuguese CSF Case Study, pp. 18-19.
[87] Portuguese CSF Case Study, p. 20.
[88] Portuguese CSF Case Study, p. 25.
[89] Greek CSF Case Study, p. 20.
[90] A new government took power in the Spring of 2004.

All in all, it does not appear that the Lisbon Strategy in itself has affected the political agenda and the specific direction of public policies significantly in the fields covered in the present study. The horizontal Programme for the Information Society (OPIS) under the 3rd CSF and its strong connection with the Lisbon Strategy's eEurope initiative can be seen as the main exception to this rule. To some extent a strategic approach is applied in the pursuit of economic development and modernisation, but this approach is related to the Structural Funds and the Community Support Framework much more than to the Lisbon Strategy.

In some respects the situation in France resembles the situation in Germany. Slow economic growth and a need to carry out difficult structural reforms in order to stabilise public finances have dominated the political agenda in recent years, with reforms of the pensions systems and the health insurance system as top priorities. In this context, it does not seem that the Lisbon Strategy has been an issue accorded much attention, neither at the political level nor in general public debate. Some reforms that are in line with the Lisbon Objectives have also been carried out in the field of IT-infrastructure and with respect to increasing enterprise competitiveness, however without any explicit reference to the Strategy.[91] In the field of Research and Development, however, movement in the direction of the objectives of the Lisbon Strategy has been threatened by budget cutbacks.

There are few signs that the Lisbon Strategy is taken up, utilised, or integrated into existing strategic development plans or strategy documents. There is a long tradition for economic development planning in France; however, the Lisbon Strategy does not seem to have been incorporated into this tradition. Moreover, two competing approaches are currently seeking to shape the Lisbon Strategy and its implementation. In light of the Lisbon Strategy, DATAR (Delegation for Spatial Planning and Regional Affairs, in charge of coordinating and implementing EU Cohesion policies at national and regional level) wishes to accelerate regional programming in the fields of knowledge economy, innovation, renewable energies, etc. The other approach, defended by the Ministry of Budget, supports the position that the Lisbon objectives should be achieved by redefining the EU financial tools (in particular the R&D programme and the Structural Funds), in line with the SAPIR report "an Agenda for Growing Europe" (Sapir 2003) advocating a reduction in regional development support to the benefit of sectoral schemes such as research and business development.[92]

Italy is, in similar ways as France and Germany, confronted with significant structural economic problems and pressures for reform. Against this background, the Lisbon Strategy as such has not been a very salient issue on the political agenda. However, a number of initiatives and reforms that are in line with the Lisbon Objectives have been presented. In the "Pact for Italy",[93] the govern-

[91] French/Aquitaine Case Study, p. 17 and 19.
[92] French/Aquitaine Case Study, p. 3.
[93] Patto per l'Italia – Contratto di Lavoro Intesa per la competitività e l'inclusione sociale, Ministero del Lavoro e delle Politiche Sociali, Roma, Jul. 2002.

ment, on the basis of a quite broad consensus between the social and economic partners, thus set forward an overall policy plan aimed at identifying the most relevant strategic lines for increasing competitiveness and growth through a more flexible labour market, reducing the fiscal pressure, promoting economic development and increased employment levels in the Mezzogiorno, favouring investments in innovation, and creating conditions to reinforce entrepreneurship and to promote further investment in human capital. The priorities of the Pact are to some extent, but not consistently, reflected in the Public Budget for 2004.[94]

In the field of Research and Development, the 2002 Guidelines for the national R&D policy[95] also seem to address the Lisbon targets: The overall strategy is similar to research and technological themes as identified in the context of the European Research Area and of the EU RTD Framework Programme; and the financial resources foreseen for the implementation of the plan represent a considerable increase that should enable Italy to reduce the gap vis-à-vis other EU Member States. However, the Public Budget 2004[96] included setbacks for the research sector; reduced appropriations and the introduction of new rules for public funding and management of the entire system of research centres and universities. The government is now submitting a new National Plan for Research[97] for the period 2004-2006. The draft version of the Plan seems to include the relevant Lisbon Strategy objectives in terms of definitions and expected targets.

In sum, there seems to be broad support for the Lisbon Strategy's objectives in Italy, but the Strategy as such is not very salient. A number of reforms are being discussed, aiming at objectives that are fully compliant with the Strategy, but the challenge appears to be that of overcoming the gap between plans and intentions on the one hand and the implementation of significant reforms on the other hand.

In Spain, the Lisbon Strategy appears to have been of a certain significance in relation to questions of employment, social inclusion, and the promotion of the information society. There is some evidence that the National Action Plans for Employment and Social inclusion have been related to relevant policy development in the period since 2000. Examples of this are movements in the direction of more active labour market policies and tax reforms enhancing the incentives of enterprises to hire employees on permanent contracts, in particular unemployed women between 16 and 45 years and in job types with the lowest level of female employment. As regards the promotion of the information society, the project Espana.es is a national reflection of the EU's eEurope initiative. It aims

[94] Legge 27 dicembre 2003, n.289, Disposizioni per la formazione del bilancio annuale e pluriennale dello Stato (legge finanziaria 2003).
[95] Linee guida per la politica scientifica del governo 2002-2004, Ministero per l'Istruzione, l'Università e la Ricerca, Roma, April 2002.
[96] Legge 24 dicembre 2003, n.350, Disposizioni per la formazione del bilancio annuale e pluriennale dello Stato (legge finanziaria 2004), GURI n. 299, 27.12.2003- Suppl. Ordinario n.196.
[97] The National Plan is not available in a final version yet. It will be submitted to the Ministries Council for approval before summer.

to extend the use of information technology and is backed by considerable funding.[98]

5.2.3. Lisbon: Organisation of Work and Integration of the Regions

As it has appeared from the case study evidence above, there are very different approaches across the Member States as regards the organisation of work with the implementation of the Lisbon Strategy. These differences to a great extent reflect the differences in the significance of the Strategy in different contexts.

Organisation in Connection with the Spring Councils

However, the fact that the Lisbon Strategy covers a wide range of objectives and policy fields implies that it gives rise to a need for inter-ministerial coordination in the Member States, in particular in connection with preparation of the Spring European Councils. Thus, in connection with the Spring Councils, the following typical features of organisation can be highlighted, even if it must be emphasised that empirical evidence is not available for all the studied Member States concerned, just as there are deviations from the typical picture (the UK Case Study identified no evidence of an inter-departmental committee on Lisbon or of 'Lisbon policy-proofing', both of which might be regarded as indicators of a high level of coordination[99]):

- Preparatory work for the Spring Council is chaired by a high-level Ministry, the Prime Ministers office, or the Ministry of Finance, sometimes in co-operation with the Ministry of Foreign Affairs. This organisation does not differ from the organisation for the preparation of ordinary European Council meetings.
- Formal cross-ministerial working groups are established. These include representatives for all relevant ministries and have the responsibility for outlining draft papers to the Minister/the Ministry who negotiates in the Spring European Councils on behalf of the Member State in question.
- In some countries, parallel sessions are carried out with more inclusive working groups, which in addition to the ministerial representatives also comprise social partner and sometimes regional level participants.[100]

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[98] Spanish / Extremadura Case Study, pp. 17-21; On Espana.es, see http://www.red.es/MungoBlobs/espana_es.pdf.

[99] United Kingdom/Western Scotland Case Study p. 16.

[100] In Germany, the position papers prepared for the Spring European Councils are discussed in the Bundesrat, and via this the federal states are also involved, cf. German CSF Case Study p. 23. In Denmark, the Spring European Councils are prepared in the "EU Contact Committee" which meets in two formations: One where only the relevant Ministries are represented, and one where the relevant Ministries as well as representatives of the social partners in the private sector, state sector, and county and municipal sector are represented. Interview data, Danish Ministries of Finance, Foreign Affairs and Employment. In Sweden, the ministries consult the social partners concerning the Swedish position in the EU negotiations. However, these meetings were not established as a consequence of the Lisbon Strategy, but had been in operation long before the Lisbon process started. The regional level is not consulted, and the link between different levels of government in this connection is weak. Swedish/Norra Norrland Case Study p. 17.

Organisation in Connection with the Formulation of National Action Plans

As regards the development of National Action Plans for Employment and Social Inclusion, these generally seem to be developed in a more inclusive manner with more systematic involvement of particularly the social partners, regional and local bodies, and in some instances also representatives of civic society/NGOs. In Austria, the Social Partners participate in the development of the NAP Employment from the very beginning. They contribute to the planned measures and are responsible for implementation.[101] In Sweden, the NAP Employment was formulated together with the employee and employer organisations and representatives of the local and regional level authorities.[102] In Denmark, there is a similar comprehensive consultation procedure, just as the National Employment Committee (the four-partite body advising on the decentralised Danish employment policy) is also invited to comment on the National Action Plan and prior to this also on the proposal for the Employment Guidelines.[103] In the UK, the devolved government of Scotland has a formal link with the preparation and implementation of the National Action Plans drawn up by the UK government in Westminster.[104] In Germany, the relevant ministries are in contact with the states during the drafting of the national action plans (NAPs) for employment and social inclusion, as these to a large extent concern tasks that are located at the state or municipal level.[105]

Regional Involvement in Implementation of the Lisbon Strategy

As regards the organisation of the transposition of the Lisbon Strategy's objectives and calls for reforms into concrete action (the actual implementation of the Strategy), it must be emphasised that the Lisbon Strategy is hardly anywhere considered a single-standing strategy which is to be implemented in a coherent and systematic way via the definition in the national context of strategic targets, the formulation of national development plans, the roll-out of subsequent legislative and budgetary reform, etc.

First of all, this probably follows from the fact that the Lisbon Strategy is a set of political objectives resting on the basis of structured but voluntary coordination in the framework of open methods of coordination. Second, all the concerned Member States have already been active in the pursuit of the Strategy's objectives in many different ways, both before and after the year 2000, for which reason it cannot be expected that the Strategy is to be "rolled out" in the countries concerned. As we have seen it, the Lisbon Strategy and its instruments are to varying degrees explicitly integrated into national policy making, but the general picture is that the Lisbon Strategy in certain areas provides some impetus to and serves to enhance the focus of existing national policies rather than being a major driver for reform in itself.

[101] Austrian/Niederösterreich Case Study, p. 26.
[102] Swedish/Norra Norrland Case Study, p. 16.
[103] Interview data, Danish Ministry of Employment, May 2004.
[104] UK/Western Scotland Case Study, p. 17.
[105] German CSF Case Study p. 24.

Considering this, it is not surprising that regional involvement in "the implementation" of the Lisbon Strategy is weak. Generally, the regions do not involve themselves in policy reforms under the heading of the Lisbon Strategy. Nor are they formally involved in the implementation of reforms at the national level which are carried out as a direct response to the Lisbon Strategy. The exception to this is the federally organised Member States Germany and Austria, where the federal states have a specified legislative role in national policy making. Evidently, a wide range of activities is being carried out at the regional level with a view to realising at this level objectives that are also included in the Lisbon Strategy, but it would be misleading to consider such activities an element in the implementation of the Strategy.

This having been said, there are some examples of regional involvement in the implementation of policies and action plans with a direct reference to the Lisbon Strategy. These examples are found in Finland, Austria, and Scotland.

In Finland, the Labour Policy Strategy incorporates the EU Employment Strategy, which is a significant part of the Lisbon Strategy, and the Regional/Local Action Plans do not exist anymore. Through the result-oriented guidance system, the regional Employment and Economic Development Centres (TE-Centre) are responsible for the regional implementation of the Labour Policy Strategy, and the Structural Funds have an important role in the process.[106]

In Austria, the regional level is also involved in employment policies via so-called Territorial Employment Pacts (TEPs). In Austria, a Territorial Employment Pact is a contractual alliance of actors from different sectors – in cooperation with representatives from the provinces, municipalities, the labour market service, and the Ministry for Economic Affairs and Labour – pursuing the joint objective of taking all necessary measures for job creation and job protection. With the TEPs, the National Action Plan for Employment can point out in what form improved institutional employment policy reconciliation can be achieved between the federal government, Länder/regions, and municipalities.[107]

In addition, the Austrian Länder are involved in the implementation of the Federal Government's Broadband Strategy. In 2003, an e-government co-operation platform was founded. It includes representatives of the federal government, the Länder and municipalities, and the social partners. The global aim of the initiative is to promote by means of public-private partnerships the rollout and usage of broadband Internet.[108]

In Scotland, the Scottish Executive has produced two major policy documents, both with direct reference to the importance of the global Lisbon objectives. In line with the Lisbon Agreement of the European Council it produced the 'Framework for Economic Development in Scotland' (Scottish Executive, June

[106] Finnish/Satakunta Case Study, p. 20.
[107] Austrian/Niederösterreich Case Study, pp. 26-27.
[108] Austrian/Niederösterreich Case Study, p. 20.

2000). This states that regional policy should have a strategic focus on employment as a means of preventing social exclusion through the promoton of workforce development and the tackling of economic inactivity and incapacity through skills training. Similarly, an economic strategy document was launched in January 2001 ‘Smart, Successful Scotland’ (Scottish Executive, 2001). This detailed the Executive’s expectations for the Scottish Enterprise networks, the local bodies responsible for implementing a wide range of policies at a more regional/local level. This emphasised the need to position Scotland in such a way that it has the ability to fully exploit the ‘knowledge economy’ and proposed actions to enhance knowledge input and outputs among global businesses in or relevant to Scotland; hasten the rate of spin-outs from scientific research; and make Scotland’s ‘talent’ base more ‘sticky’ and augment it by stimulating a more cosmopolitan image.[109]

The Significance of the Structural Funds in Lisbon Strategy Implementation

To what extent have the Structural Funds been considered an important instrument for achieving the Lisbon Strategy’s objectives? The priorities of the Structural Funds for the current programming period (2000-2006) were decided upon prior to the adoption of the Lisbon Strategy, and changes in Structural Fund programming can only occur within the general framework of the programming system. For this obvious reason, the Structural Funds have not generally been considered a key instrument for specifically reacting to the objectives of the Lisbon Strategy. The general picture is that Member States’ activities directly connected to the Lisbon Strategy in the framework of the Open Method of Coordination have been carried out with no significant relation to or integration with Structural Fund activities. This reflects the very different nature of the governance structures of the Lisbon Strategy and Structural Fund support, cf. Chapter 3.

An exception to this general rule is the European Employment Strategy, which is now considered an important element in the Lisbon Strategy, but whose existence preceded the 2000 Lisbon European Council by several years. As mentioned in Chapter 3, the European Social Fund was defined in 1999 as a primary instrument for implementing the Employment Strategy. For this reason, the European Social Fund programmes and priorities are to taken into account in the Member States’ National Action Plans for Employment. The National Action Plans therefore constitute a point where there is a degree of integration between the Structural Funds and the Lisbon Strategy.

There are other examples of Structural Fund programmes being viewed as instruments for the implementation of the Strategy’s objectives. The significance of the Funds in this respect seems to vary with the relative importance of Structural Fund support for the Member States concerned. There is very limited discussion of the Structural Funds in connection with the Lisbon Strategy in Sweden and Denmark, for instance, where Structural Fund support is of little significance for the overall economy. In Greece, on the other hand, it is

[109] UK/Western Scotland Case Study, p. 17.

explicitly argued that “the Implementation of Lisbon Strategy at National Level is closely related to the Structural Funds, which are seen as the main mechanism of implementing and funding the various policies and initiatives”.[110]

However, this has so far not implied any significant redefinition of the direction of Structural Fund support with a view to increasing the overlap between the objectives of the Greek Community Support Framework and the Lisbon Strategy’s objectives, and institutionally the implementation of Structural Fund programmes and activities directly connected to the Lisbon Strategy in the framework of the OMC remains separate. In Italy, attention is being devoted to the objectives of the Lisbon Strategy in the mid-term review process of programming and in the preparation of programming for the next period of Structural Fund support, [111] but as in Greece the institutional structures of the Structural Funds and of activities directly connected to the Lisbon Strategy remain separate, and there is little evidence of the Structural Funds playing any important role in connection with national policy-making in relation to the Lisbon Strategy.

The question of the degree to which Structural Fund support has been influenced by the Lisbon Strategy’s priorities, for instance in connection with the mid-term review, is discussed in more detail in the next chapter.

5.3. Conclusions

Is the Lisbon Strategy an exercise which is of little real significance at the level of the Member States? Some of the reviewed research suggests that this is the case. Our general conclusion is that such a statement is too harsh. The direct impact of the Lisbon Strategy is limited, but in specific fields and in more indirect manners the Lisbon Strategy has been of significance in many Member States. This conclusion supports the findings of the more recent research on the implementation and significance of the European Employment Strategy and the National Action Plans for Employment and Social Inclusion, cf. Commission (2002b) and Zeitlin (2005)

The Significance of Lisbon

It is true, in our assessment, that if by the impact of the Lisbon Strategy we understand the Lisbon Strategy as a major driving force in the Member States for policy debates and for the initiation of specific reforms, its impact is limited. However, to a great extent this follows from the fact that the priorities of the Strategy were already priorities in most Member States before the year 2000, for which reason it can be difficult to identify the degree to which Lisbon has made a difference.

[110] Greek CSF Case Study, p. 22.
[111] Italian/Campania Case Study, p. 22.

Yet we have specifically pointed to the direct impact of the Lisbon Strategy for Research and Development appropriations and to a smaller extent for activities for promoting IT infrastructure and Information Society Skills. Moreover, in a less direct manner the Lisbon Strategy appears in at least two Member States, Austria and Finland, to have been “taken up” and utilised as a way to set new targets and focus energies in a strategic manner guided by long-term objectives. To some extent, this may also be said to be the case for Ireland, where the Lisbon Strategy’s priorities have added impetus to an existing strategic development framework, The National Development Plan.

It must also be highlighted that there are clear differences between the Member States, and we have tried to categorise them into four different groups in order to highlight these differences. At least in two of these four groups, containing the Member States Finland, Austria, Ireland, Germany, and the UK, it seems that the Lisbon Strategy or the objectives of the Lisbon Strategy are being pursued in an active manner where significant reforms are being implemented and relevant initiatives are being launched. For Germany, it is not the Lisbon Strategy itself which is a driving force, but rather the significant structural economic problems presently faced by this Member State. For the UK, the case seems to be that the Government very actively pursues the Lisbon Strategy’s objectives, but due to the political climate in the country, especially in England, government policy has been to detach itself from European Union strategies.

Implementation Problems

Based on these observations, we are able to conclude that the implementation of the Lisbon Strategy is more than a symbolic gesture and that the Strategy has both a real impact and a broader significance in a number of the studied Member States.

This having been said, it is also clear that the political saliency of the Strategy is generally not very high, and that the Strategy is not very salient at all in a number Member States. Furthermore, there are several Member States where implementation of the Strategy appears to be of limited reach. Action plans are developed and initiatives put forward in response to the requirements of the Open Method of Coordination, but the relation between action plans and actual reforms or the re-allocation of appropriations seems to be of limited reach. For some Member States, it also seems that the overlap between the specific objectives of the Lisbon Strategy and the national political agenda is limited, the national agenda being dominated by immediate economic problems or other concerns that are unrelated to the Lisbon Strategy’s objectives.

Lisbon not Generally Used in a Strategic Manner

With the partial exceptions of Finland and Austria, it also holds true that the Lisbon Strategy is not utilised in a manner which its name would suggest: Generally, there is not a strategic approach in the Member States towards the Lisbon Strategy and its objective of realising by 2010 “the world's most dynamic and competitive knowledge-based economy”. A range of reforms is being implemented and a number of initiatives have been launched with more or less explicit (mostly implicit) references to the Lisbon Strategy.

However, the Lisbon Strategy has only to a very limited extent been used as an opportunity to formulate or reformulate national strategic development plans. The Strategy is therefore only to a very limited extent implemented in a coherent and systematic way involving, for instance, the definition of strategic targets in the national context, the roll-out of subsequent legislative reform and budgetary reallocation, and considerable cross-sectoral and cross-ministerial coordination,. This is hardly surprising, given that the Strategy rests on voluntary coordination and in most cases involves politically highly sensitive reforms, and given that the Member States have in several cases already formulated their own medium to long-term strategies.

The Role of the Regions

The finding that the regional level is only to a very limited extent involved in the implementation of the Lisbon Strategy fits well with this observation. Understood as an explicit policy programme, the Lisbon Strategy is mainly dealt with and decided upon in key ministries at the central level. Only in connection with the formulation of the National Action Plans for Employment is there a general and significant regional involvement, and in some NAP-employment cases the regions play a role in the implementation of specific programmes and initiatives. In the federal Member States, the provinces/Länder also take part in the legislative process in fields that are relevant to the Lisbon Strategy.

Moreover, work with the Lisbon Strategy in the framework of the Open Method of Coordination is generally situated in institutional structures that are entirely separate from those that are responsible for the implementation of Structural Fund support.

The case studies of the implementation of the Lisbon Strategy highlight the importance of the specific character of the Strategy: Member States' approaches clearly illustrate that the Strategy is considered a set of political objectives the relevance and saliency of which vary with the circumstances of each Member State. It is not considered a single-standing and coherent Strategy which should be implemented systematically and in a uniform manner across the Union. When discussing the future possibilities for increasing the synergies and complementarities between the Lisbon Strategy and its objectives and the Structural Funds, this observation must be taken into account.

6. The Structural Funds' Contributions to the Lisbon Strategy

This chapter addresses the questions of how the Structural Funds are contributing to the Lisbon Strategy. 15 case studies have been carried out to this end. 11 case studies have focused on the relations between Structural Funds interventions and the Lisbon Strategy in selected regions, and 4 case studies have focused on Structural Fund contributions to the Lisbon Strategy at the level of Community Support Frameworks.

A detailed mapping of potential and actual Structural Funds contributions to the relevant themes of the Lisbon Strategy has been carried out in the 15 case studies. This has been done on the basis of relevant programming documents and by utilising the results of the recent mid-term evaluations of the various Structural Funds programmes. For each of the relevant Lisbon Strategy themes, potential and actual Structural Funds output contributions have been registered. For each theme it has been recorded whether relevant objectives and measures have been defined within the specific Structural Fund Programme and what financial resources have been allocated to these relevant measures.

In analysing this information, each case study has sought to describe the overall character of the Structural Funds' contributions to the various Lisbon Strategy themes, and the degree to which there is congruence between the Lisbon Strategy themes and the Structural Fund interventions in each region or CSF-area. Descriptions have also been provided on the character of those Structural Fund activities which do not fall within the Lisbon Strategy's objectives and themes and which might be affected if the Structural Fund interventions were to be aligned more directly with the Lisbon Strategy. The extent of revisions of Structural Fund programming following the recent mid-term evaluations is also discussed, as is whether such revision has reflected the significance of the Lisbon Strategy directly or indirectly.

Finally, the case studies assess whether and to what extent there have been relevant process effects related to the implementation of Structural Fund Support, i.e. whether the operation of Structural Funds programmes in the regions or countries concerned has contributed to the region's ability to implement the Lisbon Strategy.

The chapter first addresses the general relation between the Structural Funds and the Lisbon Strategy in terms of the degree of congruence between the Structural Fund support and the Lisbon Strategy in different types of regions. Second, we relate the structural challenges faced by the different Member States, as indicated by the relevant structural indicators of the Lisbon Strategy, to the direction of Structural Fund support and the outputs and results achieved so far in selected regions. An analysis is made of the actual impact of Structural Fund interventions, insofar as the available data permits. Third, we illustrate at a lower level of aggregation the most important categories of Structural Fund intervention that are relevant to the Lisbon Strategy's objectives in the different areas and regions.

The final sections of the chapter address the question of any redirection of Structural Fund support in light of the Lisbon Strategy and of relevant process effects of Structural Fund support, both at regional and CSF level. We also investigate some hypotheses about factors affecting the relation between the implementation of the Lisbon Strategy and the Structural Funds' contribution.

6.1. The Degree of Congruence

Based on the information contained in the case studies, it can be concluded that in terms of objectives and the fields in which interventions are supported, there is considerable congruence between the Structural Funds and the Lisbon Strategy.

As was noted in connection with the analysis in Chapter 3, Structural Fund support and the Lisbon Strategy share a number of characteristics insofar as there are a number of shared objectives: Economic growth and increased employment, the improvement of communications infrastructures, and investment in research and development and human capital development. Support for business development, social inclusion, and sustainable development, are also among the objectives that define a common ground between the Lisbon Strategy and the Structural Funds.

This is generally reflected in the regional implementation of the Structural Funds, and in some regions the claim is even made that there are no conflicts whatsoever between the Structural Funds and the Lisbon Strategy, in which cases the Structural Funds are simply seen as the regional reflection of the Lisbon Strategy's priorities.[112] This argument does, however, ignore the fact that, as opposed to the Lisbon Strategy, the most important of the Structural Fund programmes have an explicit spatial dimension and aim to reduce regional economic disparities.

Even if there is a considerable degree of congruence between the objectives of Structural Fund support and the Lisbon Strategy, significant differences may be revealed on closer inspection. Other objectives than those compatible with the Lisbon Strategy may be pursued in the actual implementation of Structural Fund support, and these objectives may carry considerable financial weight.

This is the possibility we examine in the following. Based on the information contained in the detailed mapping of Structural Fund support in the case study regions, Table 6.2 below presents an overall estimate of the degree of congruence between Structural Fund interventions and the relevant Lisbon Strategy objectives. The estimate of the degree of congruence is based on detailed

[112] German CSF Case Study p. 53, German / Sachsen-Anhalt Case Study p. 44.

analyses and categorisations of the budget allocations to different priorities and measures in the regions and areas concerned. In constructing this categorisation, we have made use in both the regional and CSF case studies of the Lisbon Strategy objectives and targets reproduced in table 6.1. The Structural Fund programmes have a potential for contributing to these objectives and targets.[113]

Table 6.1. Lisbon Strategy Objectives / Targets used in the Mapping of Structural Fund Contributions

Objective / Target
Employment
Increased levels of employment for women
Increased levels of employment for the 55-64 year olds
Infrastructure Investment
Widening access to communications infrastructure
Investment in Research and Development
Increased spending on research and technological development and innovation
Stronger coordination and transfer of technology between public and private-funded research
Promotion of development and application of new environmentally friendly technologies
Investment in Human Capital/Human resource development
Increased investment in human capital
Reduction in the number of the 18 to 24 years olds with only secondary level education
Promotion of lifelong learning (offer learning and training opportunities different stages life)
Training and education for integration into the labour market, employability, and job mobility
Training and education for innovation and adaptability in work organisation
Training and education for skills for the information society
Transformation of schools and training centres into multi-purpose local learning centres that facilitate learning partnerships.
Investment in Business Development
Promotion of entrepreneurship
Enhanced competitiveness of enterprises
Support of SME activities via training, consultancy, investment aid and technology dissemination
Social inclusion
Promotion of equal opportunities for being active in the labour market
Sustainable development
Furthered investments in new, environmentally-friendly technologies
Management of natural resources/Protection and restoration of habitats and natural systems
Reduction of road transport while furthering rail, water and public passenger transport

Structural Fund interventions have thus been registered as relevant for the Lisbon Strategy insofar as they pursue specific objectives within the fields of employment, IT infrastructure investment, investment in Research and Development, Investment in human resource development, investment in business development, social inclusion, and sustainable development.

[113] It must be recalled that not all of the Lisbon Strategy's objectives are considered relevant in the current context.

Methodological Considerations

There are a number of important questions of validity connected to this information. Hence, the figures should be seen only as a rough estimate of the degree of congruence between Structural Fund intervention and the Lisbon Strategy objectives. We will be explicit about these questions of validity.

Most importantly, programming of Structural Fund Support for the current programming period had been concluded before the Lisbon Strategy's objectives were formulated, and there were thus no attempts at formally integrating the two approaches. This means that the Lisbon objectives have not structured the objectives and targets of individual Structural Fund programmes in the various regions. The process of categorising various priorities and measures in relation to the Lisbon Strategy's objectives is therefore a process of *ex post* categorisation which is both difficult and problematic.

For instance, programming documents frequently define various priorities and measures which overlap with one or more of the relevant Lisbon Strategy objectives, but which also cover objectives which are not immediately relevant for the Lisbon Strategy. Often, the level of detail in the available data does not allow an identification of the precise shares of support that are allocated to different specific types of objectives. Moreover, this is not just a problem of data quality but also relates to the character of the Lisbon Strategy objectives. These objectives are in a number of cases broad and not operational, for which reason it is a question of interpretation whether a specific programme measure can be said to pursue an objective of the Lisbon Strategy or not. The Lisbon Strategy's objectives of employment creation can be highlighted in this respect. After all, increasing employment is an overriding objective in almost all Structural Fund programmes.

The last point is also relevant in connection with Trans-European Networks (TENs) and support for sustainable development. The European Council in 2003 mentioned TENs in connection with the Lisbon Strategy. The question is, however, whether TENs should be seen as an integral part of the Lisbon Strategy, and whether Structural Fund support for Trans-European Networks hence should be included in the estimate of congruence between Structural Fund support and the Lisbon Strategy, as this significantly affects the estimates of convergence.

Similarly, as regards sustainable development, programming documents of the various regions and areas in some cases categorise measures under the heading of support to sustainable development, but the types of activities supported in several cases appear irrelevant for the Lisbon Strategy's sustainable development objectives.

Table 6.2: Approximate Share of Structural Fund Support Relevant for the Lisbon Strategy's Objectives[114]

Country / region	Primary Programme/ Framework	Approximate share of funding relevant for Lisbon Objectives (%)
Portugal	CSF/ Obj. 1	21
Greece	CSF/ Obj. 1	39
Ireland	CSF/ Obj. 1	42
Germany – Neue Bundesländer	CSF/ Obj. 1	56
Greece – Attica	Objective 1	18
Italy – Campania	Objective 1	26
Portugal – North region	Objective 1	28
Spain – Extremadura	Objective 1	32
Germany – Sachsen Anhalt	Objective 1	67
Sweden – Norra Norrland	Objective 1	78
UK – Western Scotland	Objective 2	68
Denmark – Bornholm	Objective 2	80
Austria – Lower Austria	Objective 2	n/a
Finland – Satakunta	Objective 2	85
France – Aquitaine	Objective 2	83

The information in Table 6.2 reflects a number of choices in relation to these problems, as is explained in the following and in the explanatory footnote. As regards the question of TENs and sustainable development investment, the figures in Table 6.2 result from the following choices: For Greece, the construction of motorways has not been included as being congruent with the Lisbon Strategy's objectives, and some support categorised as funding of sustainable development projects in programming documents has been excluded, as its relevance for the Lisbon Strategy's sustainability objectives is limited. For the North Portugal case study, the figure is derived solely on the basis of the Operational Programme for the North Region, and funding for motorways, harbours, and other basic infrastructure development projects has not been included as congruent with the Lisbon Strategy's objectives. Similarly for the other regional case studies, support to TENs and sustainable development investment that is only to a very limited extent relevant for the specific Lisbon objectives has been omitted. If these types of investment are included in the

[114] In order to maximise comparability between the different case studies, information provided in the analyses of the case studies has been validated by an analysis of the information contained in each case study's detailed mapping of relevant Structural Fund objectives, priorities, and measures. Overall, a general objective of increasing employment has not been considered sufficient for a measure to be included in the calculations as a measure which pursues Lisbon Strategy objectives. Only those measures that aim at the Lisbon Strategy's specific employment targets are included.

For the Portuguese and Greek CSF case studies and the Spanish, Portuguese, and Greek regional case studies, figures have been validated on the basis of calculations of information contained in case studies' Structural Fund contribution matrices, in order to maximise comparability across regions. The figure for Ireland is based on recommended allocations for the CSF/NDP, 2002-2004 (ESRI 2003: v).

The figure for the Swedish regional case study is based on Objective 1 funding as well as Objective 3 funding available in Norra Norrland, as Objective 1 and 3 have been integrated. The figure for the Danish case study is based on an assessment of the character of Structural Fund intervention, as each of the priorities guiding Objective 2 on Bornholm covers both a range of Lisbon objectives and several objectives that are not congruent with the Lisbon Strategy.

calculations as relevant for the Lisbon Strategy, the degree of congruence increases, cf. table 6.3.

Table 6.3: The Degree of Congruence with Peripheral TEN- and Sustainable Development Investment Included

Approximate share of funding relevant for Lisbon Objectives (%) Country / region	A. Restrictive definition	B. Including peripheral TEN investment	C. Including peripheral SD investment	D. Including all registe-red TEN and SD investment	E. Difference D-A
Portugal	21	22	23	24	3
Greece	39	47	40	48	9
Ireland	42	42	42	42	0
Germany – NBL	56	56	56	56	0
Greece – Attica	18	26	28	36	18
Italy – Campania	26	26	35	35	9
Portugal – North region	28	50	54	76	48
Spain – Extremadura	32	32	32	32	0
Germany – Sachs.-Anhalt	67	67	67	67	0
Sweden – Norra Norrland	78	78	78	78	0
UK – Western Scotland	68	68	68	68	0
Denmark – Bornholm	80	80	80	80	0
Austria – Lower Austria	n/a	n/a	n/a	n/a	0
Finland – Satakunta	85	85	85	85	0
France – Aquitaine	83	83	83	83	0

The Congruence between Structural Fund Interventions and Lisbon Objectives

Even if Table 6.2 should be interpreted very cautiously, it does suggest some relevant patterns and relations. Thus, there appears to be a relation between the degree of congruence between the Structural Fund support and the Lisbon Strategy on the one hand, and the economic development status of the region or the Member State concerned on the other hand cf. Tables 6.4 and 6.5.

Congruence is generally significantly lower in the less prosperous regions and Member States and significantly higher in the more wealthy regions. The CSF countries and regions are, with the notable exception of Ireland, significantly less prosperous than the EU average, and the degree of congruence between Structural Fund support and the relevant Lisbon Strategy objectives is relatively low, ranging from approximately 24 per cent and 39 per cent in Portugal and Greece respectively to more than 50 per cent in the new German federal states.

As regards the NUTS2 and NUTS3-regions, congruence is relatively low in Extremadura, North Portugal, Attica, and Campania, ranging from approximately 18 per cent to approximately 33 per cent. At the same time these regions are, together with Sachsen-Anhalt, the least prosperous of the studied regions in terms of GDP per capita (PPS). The degree of congruence is significantly higher in Norra Norrland, Western Scotland, Bornholm, Satakunta, and Aquitaine, ranging from approximately 68 per cent in Western Scotland to about 85 per cent in Satakunta, Finland. Whereas these regions are all relatively poor compared to the EU average, they are clearly wealthier than the studied regions of Portugal, Greece, and Spain.

Table 6.4. Congruence between Structural Fund Support and GDP Per Capita in CSF Countries and Regions

Member State/ Region	Approximate congruence SF-Lisbon (restrictive def.)	GDP per capita (PPS 2001, EU15 = 100)
Portugal	21	71
Greece	39	67
Ireland	42	118
Neue Bundesländer	56	66

Source of GDP data: European Commission, Third Cohesion Report, 2004.

Table 6.5. Congruence between Structural Fund Support and GDP Per Capita in the Case Study Regions

Region	Approximate congruence SF-Lisbon (restrictive def.)	GDP per capita (PPS 2001, EU15 = 100) [115]
Attica	18	71
Campania	26	65
Extremadura	32	54
North Portugal	33	57
Sachsen Anhalt	67	66
Western Scotland	68	94
Norra Norrland	78	93
Bornholm	80	82
Niederösterreich	n/a	92
Aquitaine	83	95
Satakunta	85	98

Source of GDP data: European Commission, Third Cohesion Report, 2004.

The congruence between Structural Fund support and the Lisbon Strategy's objectives is generally higher in Objective 2 regions than in Objective 1 regions. However, there are also exceptions to this rule: The degree of congruence is higher in the Objective 1 regions Sachsen-Anhalt and Norra Norrland than in the other Objective 1 regions and is close to or even higher than the degree of congruence in the Objective 2 regions.

Differences in Congruence as a Reflection of Different Investment Needs

How should these patterns and relations be understood? The difference between the Objective 1 and the Objective 2 programme could possibly account for a large proportion of the difference between congruence in Objective 1 and Objective 2 regions and between relatively less prosperous and more prosperous regions: The Objective 1 programme thus focuses on relatively poorer regions and on basic physical infrastructure investment. Since support to basic infrastructure investment has not been counted as investment which is relevant for

[115] The GDP/capita figure for Western Scotland is data on South Western Scotland. Data for Bornholm is calculated on the basis of GDP/head (2001 PPS) for Denmark and relative difference between GDP/capita 2001 for Bornholm and Denmark. Source: Third Cohesion Report and Statistikbanken, Danmarks Statistik. GDP/capita data for Satakunta is calculated on the basis of GDP/head (2001 PPS) for Finland and the relative difference between GDP for Satakunta and Finland. Source: Third Cohesion Report and http://www.satakunta.fi/inenglish/economy.html.

the Lisbon Strategy's objectives (with the exception of IT-infrastructure investment), the significance of basic infrastructure investment in Objective 1 reduces the congruence figures for the Objective 1 regions.

However, the differences between the Objective 1 and 2 programmes do not explain the differences in congruence because Objective 2 can also finance infrastructure investment and indeed does so to a considerable extent.

A more convincing explanation is therefore *the different investment needs* of the various types of regions. Relative poverty affects not only the status of the regions as Objective 1 regions; it also influences the profile of needed investment in the direction of basic physical infrastructure. Conversely, relative affluence affects the profile of investment needs in the direction of other types of infrastructure such as IT-infrastructure, human capital investment, and Research and Development.

The case of Norra Norrland in Sweden illustrates this point. Although the region is an Objective 1 region, congruence of Structural Fund support with the Lisbon Strategy objectives is high. However, following the arguments above, congruence is explained by the relative affluence of the region compared to regions in Spain, Portugal and Greece.

Furthermore, in the light of empirical economic research, the explanation offered would seem to reflect rational differences in the prioritisation of different types of investment: As noted in Chapter 4, Fuente (2002b), in a survey of studies of infrastructures and productivity, found that returns on public infrastructure investment contribute significantly to productivity growth, but first of all in countries or regions where a saturation point has not been reached. The returns to such investment are probably quite high when infrastructures are scarce and basic networks have not been completed, but fall sharply thereafter.

Ireland and the new German federal states are the only two cases where the data conflicts with the explanation offered above. In the case of Ireland, the congruence between Structural Fund support and the Lisbon Strategy is relatively low, considering the relative affluence of the country. In the case of the new federal states, the opposite is true. In both cases, however, specific factors can explain the discrepancy.

For Ireland, the country's very recent rapid economic development provides a plausible explanation. A decade ago there were still major infrastructure deficiencies in Ireland; since then, strong economic growth has necessitated a further rapid development of transport infrastructure in order to cope with among other things the growth-pole effects of the Dublin area.[116]

For the new federal states in Germany, the case seems to be that the congruence figure is inflated by the fact that most basic infrastructure investment in the new Länder has been provided by the national, federal budget, allowing the Structural

[116] Cf. Irish CSF Case Study pp. 33-36.

Funds to focus to a greater extent on human capital investment, investment in R&D, and sustainable development investment, reflecting an ambition to develop the new Bundesländer directly and quickly from a planned economy towards an advanced, knowledge intensive, and environmentally sustainable economy comparable to the economy of the old West German federal states.[117]

Following the arguments above, the differences between the degree of congruence between Structural Fund support and the relevant Lisbon Strategy objectives may thus reflect real differences in investment needs and presumably also in the social rate of return of different types of investment in different regions. In relation to the question of improving the synergies and complementarities between the Lisbon Strategy and the Structural Funds, this suggests that there are considerable risks associated with a strategy which would seek to steer Structural Fund investment more directly towards the investment fields advocated by the Lisbon Strategy.

Examples of Funded Activities Falling Outside the Lisbon Priorities

Even if there is generally a high degree of congruence between the objectives of activities receiving Structural Fund support and the relevant Lisbon Strategy objectives, a number of activities are also funded that fall outside the Lisbon Strategy framework. We have mentioned the significance of basic physical infrastructure investment as the key example. This is clearly the most important investment field that conflicts with the Lisbon Strategy. However, there are also other examples of types of measures which receive Structural Fund support and which are of only limited relevance to the Lisbon Strategy. Table 6.6 provides some examples of this kind of Structural Fund assistance from four of the studied regions.

Apart from physical infrastructure investment, types of supported activities comprise support to fields such as cultural heritage development, regional identity formation, and investment aimed at tourism, rural development, and the rural quality of life. It can be noted that activities that are only to a limited extent relevant for the Lisbon Strategy are often funded within the framework of the Community Initiatives.

[117] Cf. German CSF Case Study, pp. 34-37.

Table 6.6 Examples of Supported Activities that are of Limited Relevance for the Lisbon Strategy

Country / region	Programme	Type of Measure / Activity
France – Aquitaine	**Objective 2**	• Investment in farms • Renovation of villages and rural heritage protection • Rural infrastructural development
	Innovative Actions	• Online publishing on regional heritage • Development of offers for neighbourhood service packages
	Interreg IIIA	• "Communauté de Travail des Pyrénées", targeting among other things infrastructures (including transport), mountain security, culture and youth.
	Leader+	• Improvement of the quality of life in rural areas • Assistance to newcomers willing to work and live in rural areas.
Denmark – Bornholm	**Objective 2**	• Investment in pilot projects for infrastructure and regeneration of harbour areas. • Tourism
	Interreg	• Integration of physical transport infrastructure. • Interregional sharing of facilities. • Interregional cultural co-operation • Interregional information activities on culture and attractions
	Leader+	• New ways for using cultural heritage and identity • Marketing of local products.
Sweden – Norra Norland	**Objective 1**	• Non-IT infrastructure investment • Agriculture • Cultural heritage • Sámi Businesses
	Interreg	• Promotion of regional identity and culture across borders • Sámi culture and reindeer breathing
Germany – Sachsen Anhalt	**Objective 1**	• Infrastructure measures such as economic infrastructure, urban and local infrastructure and traffic infrastructure • Rural development
	Leader+	• Supplement and support to rural areas development policies

6.2. Regional Priorities and their Relation to the Lisbon Strategy

The discussion of congruence so far has involved highly aggregate data. In this section we illustrate at a lower level of aggregation the most important categories of Structural Fund intervention that are relevant to the Lisbon Strategy's objectives in the different areas and regions. We also highlight a number of examples of the types of Structural Fund interventions that are not compatible with the Lisbon Strategy's objectives.

In table 6.7, the three most important investment fields that are relevant to the Lisbon Strategy have been identified for each CSF or case study region. The total list of possible relevant investment fields are the 7 overall Lisbon Strategy targets (from table 6.1 above):

- Employment
- Infrastructure Investment
- Research and Development
- Human Capital Investment
- Business Development

- Social Inclusion
- Sustainable environmental development.

Table 6.7: Most Significant Fields of Structural Fund Support Relevant for the Lisbon Strategy Objectives[118]

Member State / Region	Programme/ Framework	Approx. Congruence SF-Lisbon (%)	Top 3 Investment Fields of Relevance for the Lisbon Strategy's Objectives	Approx. share of total Community funding (%)
Portugal	CSF/ Obj. 1	21	1. Human capital 2. Business development 3. Research and development	9 9 1
Greece	CSF/ Obj. 1	39	1. Human capital and social inclusion 2. Sustainable development 3. Business development	15 11 8
Ireland	CSF/ Obj. 1	42	1. Sustainable environ. development 2. Human capital 3. Business development	11 10 8
Germany – NBL	CSF/ Obj. 1	56	1. Human capital 2. Employment 3. Sustainable environ. development	n/a
Greece – Attica	Objective 1	18	1. Sustainable Environ. Development 2. Social Inclusion 3. Business development[119]	9 3 2
Italy – Campania	Objective 1	26	1. Sustainable environ. development 2. Human capital 3. Business development	9 9 8
Portugal – North	Objective 1	28	1. Human capital 2. Business development 3. Research & Development	12 4 3
Spain – Extremadura	Objective 1	32	1. Human capital 2. Business development 3. Other investment fields	15 10 7
Germany – Sachsen Anhalt	Objective 1	67	1. Business development 2. Research & development 3. Human capital	30 25 15

[118] The table is based on budget allocations of the CSFs or Objectives 1 and 2. Community Initiatives and Innovative Actions have not been included. Figures in parentheses indicate the share of total Community funding in the respective CSF or Objectives allocated to the investment field. The same methodological reservations and choices apply as to the calculation of the overall congruence between Structural Fund support and the relevant Lisbon Strategy objectives. For Greece, the construction of motorways has not been included as being congruent with the Lisbon Strategy's objectives, and some support categorised as funding of sustainable development projects in programming documents has been excluded, as its relevance for the Lisbon Strategy's sustainability objectives is limited. For North Portugal, funding for motorways, harbours and other basic infrastructure development projects has not been included as congruent with the Lisbon Strategy's objectives. If these investment fields were included as relevant for the Lisbon Strategy, they would be the most important investment field, attracting 13% of total Community funding. Similarly for the other regional case studies, support to TENs and sustainable environmental development investment that is only to a very limited extent relevant for the Lisbon objectives has been omitted. The congruence figure for the Danish case study is based on an assessment of the character of Structural Fund intervention, as each of the priorities guiding Objective 2 on Bornholm covers both a range of Lisbon objectives and several objectives that are not congruent with the Lisbon Strategy. Figures for Ireland are based on recommended allocations 2002-2004 (ESRI 2003: v).

[119] There is a special programme devoted to information infrastructure in Greece, the OPIS. However, this is a national programme, for which reason the means allocated to this programme have not been included in the calculations of the distribution of regional Structural Fund support and congruence shares.

Member State / Region	Programme/ Framework	Approx. Congruence SF-Lisbon (%)	Top 3 Investment Fields of Relevance for the Lisbon Strategy's Objectives	Approx. share of total Community funding (%)
Sweden – Norra Norrland[120]	Objective 1	78	1. Business development 2. Research and development 3. Information infrastructure	39 13 7
UK – Western Scotland	Objective 2	68	1. Social inclusion 2. Business development 3. Research & development 4. Information infrastructure	37 20 14 14
Denmark – Bornholm	Objective 2	80	1. Research and development 2. Business development 3. Human capital	36 22 16
Austria – Niederösterreich	Objective 2	N/A	1. Research and development 2. Sustainable environ. development 3. Business development	n/as
Finland – Satakunta	Objective 2	85	1. Business development 2. Human capital 3. Research & development	35 18 18
France – Aquitaine	Objective 2	83	1. Human capital 2. Business development 3. Sustainable environ. development	37 20 13

Source: Case Study mappings of Structural Fund contributions to the relevant Lisbon Strategy Objectives

The table thus highlights the regional disparities in terms of the most important investment fields of relevance to the Lisbon Strategy. A number of points can be made in relation to this information:

- Among the investment fields that are relevant to the Lisbon Strategy, human capital investment and investment in support of business development are most frequently among the prioritised fields. Human capital investment is among the top three Lisbon-related investment fields in 10 of the 14 cases covered in table 6.7, investment in business development in 13 of the 14 cases.

- Support to investment in research and development is among the top three priorities in Satakunta, Niederösterreich, Bornholm, Western Scotland, Norra Norrland, and Sachsen-Anhalt, whereas this investment field is not among the most important in Attica and Extremadura. Among the different investment fields that are relevant to the Lisbon Strategy, research and development activities appear to be higher prioritised in the relatively more prosperous Member States of Finland, Austria, Denmark, the UK, Sweden, and Germany. The only exception to this pattern is Portugal and North Portugal, where research and development is also among the top three priorities among the investment fields directly relevant for the Lisbon Objectives. However, for Portugal it must be recalled that the overall congruence between Structural Fund support and the relevant Lisbon Strategy objectives is relatively small. Furthermore, a qualitative assessment of the types of research and development activities that are supported in Portugal suggest that much activity is centered around the construction of physical infra-

[120] The Objective 1 and 3 programmes have been integrated in Norra Norrland.

structure of research institutions (the construction or renovation of buildings for higher education and research, science parks, and the like).

- Environmental sustainability investment appears to be of greater relative significance in regions whose development is lagging the most behind than in relatively more prosperous regions. Sustainable development investment is among the most important Lisbon-related investment fields in the Greek CSF and in the regions of Attica and Campania. Among the regions in the relatively more prosperous Member States, sustainability is only among the highest prioritised Lisbon-related investment fields in the Austrian and French region, although we can also observe that sustainability investment appears significant in the new German federal states. Again, it must be recalled that the share of Structural Fund support allocated to investment fields that are relevant for the Lisbon Strategy objectives is lower in the less prosperous regions and Member States than in relatively more prosperous regions and Member States.

- Investment in IT-infrastructure development is not among the Lisbon Strategy-related investment fields that receive the most attention. It is only in Western Scotland, UK, and in Satakunta, Finland, that IT infrastructure investment is among the most highly prioritised fields. This may reflect the fact that these regions are at a relatively high level of development.

- Neither is social inclusion generally a field which attracts a high share of the investment support devoted to fields that are relevant for the Lisbon Strategy. Support to measures aimed at social inclusion is only among the most important fields in Greece (both at the level of the CSF and the region of Attica) and in the region of Western Scotland.

Sustainable Development

The section above has highlighted how investment support to sustainable development is of significant importance in several of the studied Member States. It is, however, necessary to highlight some points in this connection which may question the real significance of environmental sustainability investment in the current generation of Structural Fund support:

- Much of the investment which is registered as sustainable development investment in the studied regions and Member States appears to be physical infrastructure investment with some environmental benefit. In Greece, for instance, an important measure which has been registered as being in accordance with the Lisbon sustainable development objectives is support to the construction of the Athens Underground (2.74 per cent of Structural Fund support).[121] In the region of Campania, Italy, 9 per cent of total Objective 1 Structural Fund support is devoted to sustainable development investment. Of this, however, 8,3 per cent targets the objective of "strengthening nodes and terminal links and improving the quality of

[121] Greek CSF Case Study, p. 85.

transport services" with an additional objective of "reducing pollution according to the Kyoto protocol".[122] Other examples could be mentioned.

- There is little evidence that the horizontal objective of sustainable development understood as environmental sustainability has a horizontal effect. A large number of specific measures aim at sustainable development objectives, but the objective sustainable development does not in itself appear to affect investment decisions in other fields in ways that have been registered in the case studies.[123] In this connection, the thematic evaluation of the contribution of the Structural Funds to sustainable development (GHK 2002) found that negative contributions of Structural Fund interventions to natural capital are generally seen as an accepted part of programme development which pursues an overall objective of social welfare. The evaluation also concluded, however, that concerns for environmental sustainability are gradually becoming more important.

- It could also be questioned whether it would be an appropriate situation if the horizontal concern for environmental sustainability were to affect investment decisions regardless of the regional economic and social context. On a welfare economic basis, an argument can certainly be made that the concern for sustainable environmental development should be weighted against other concerns in the specific regional or national situation, with a view to maximising total human welfare. Indeed, the German CSF mid-term evaluation recommended that investment in sustainable development be scaled down, since its contribution to economic growth is seen to be too limited.[124]

6.3. Priorities and Results in Light of Structural Challenges

Focusing on selected CSF Member States and Objective 1 regions, this section relates the structural challenges faced by Member States to the priorities of Structural Fund support and the results achieved so far from Structural Fund intervention. We illustrate the relation focusing on Structural Fund support in three CSF Member States (Portugal, Greece, and Ireland) and two Objective 1 regions (Sachsen-Anhalt and Norra Norrland). It is in CSF Member States and in Objective 1 regions that Structural Fund intervention has the largest magnitude, and it is therefore in these areas support can most likely have impacts which are discernible in available statistical information.[125]

Table 6.8: Lisbon Strategy Goal Achievement Score by Member State, Different Lisbon Strategy Themes[126]

[122] Campania / Italy Case Study, p. 63.
[123] However, the Commission published a Working Paper in September 2004 following up on the mid-term evaluations of the Structural Fund Programmes. Here it was argued that the integration of environmental protection concerns was good in the United Kingdom, Finland, and Sweden.
[124] German CSF Case Study, p. 50.
[125] For the selected Member States and regions, information on outputs and results from Structural Fund support is available on a level which is sufficiently detailed to allow some analysis.
[126] See footnote 61 above and Annex 8 for an explanation of scoring calculations.

Policy Theme	FRA	SWE	DK	E	P	I	UK	GE	GR	IE	FIN	A	Avg
Employment	19	100	88	9	76	14	83	42	28	61	38	57	51
IT Infrastructure	33	100	100	0	0	33	100	66	0	33	100	33	50
R&D	60	100	80	0	0	20	33	66	0	33	100	20	43
Human Cap. Dev.	66	83	83	0	50	33	16	50	50	50	66	83	53
Business Develop.	16	100	50	33	0	16	66	0	0	0	100	0	32
Social Inclusion	55	66	100	44	22	33	33	66	33	22	66	66	51
Sustainable Dev.	22	44	33	25	11	33	16	33	16	25	33	58	29
Total score	**38**	**84**	**76**	**15**	**22**	**26**	**49**	**46**	**18**	**32**	**71**	**45**	**44**

Table 6.8 contains an overview of progress towards the Lisbon Strategy targets in the seven fields studied here. The table is a breakdown of table 5.2 in Chapter 5 in progress scores for the various themes. Judged on the basis of the scores, progress varies much, not only between Member States but also between policy fields. Goal achievement in relation to the Lisbon targets is lowest in the fields of sustainable development and business development, and highest in the fields of employment, social inclusion, and IT infrastructure. Among the Member States Spain, Portugal, and Greece receive low scores as regards IT infrastructure and R&D in particular, just as the total score of these countries is low.

These scores can be taken as a rough indication of the types and magnitude of challenges facing the respective Member States in light of the Lisbon Strategy. How and to what extent are the priorities in Structural Fund support justified against the background of the structural challenges of each Member State and region? Which evidence is there of outputs and results achieved from SF intervention in the prioritised fields? Table 6.9 summarizes the main results of for the three CSF Member States.

Table 6.9: Prioritised Structural Fund Support; its Relevance and Results, Assessed on the Basis of the Structural Indicators of the Lisbon Strategy.

	Prioritised SF Support (and share of total SF support)	Relevance of Prioritised Support[127]	Relevant Results (Lisbon Indicators)
Portugal	1) Human capital (9) 2) Business developm. (9) 3) R & D (1)	Ad 1) High Ad 2) High Ad 3) High	Ad 1) Educational attainment Ad 3) Share of science and tech. graduates
Greece	1) Human cap.+soc.inclus. (15) 2) Sustain. development (11) 3) Business development (8)	Ad 1) Low/medium Ad 2) High Ad 3) High	Ad 1) Early school leavers Ad 1) Educational attainment Ad 3) Labour productivity Ad 3) Capital formation
Ireland	1) Sustainable developm. (11) 2) Human capital (10) 3) Business development (8)	Ad 1) High Ad 2) Medium Ad 3) Medium	Ad 2) Educational attainment Ad 2) Lifelong learning

In general, the relevance of the prioritised Structural Fund support is found to be high: In most cases, there are clear indications of structural weaknesses in the prioritised areas. There are some exceptions, however. In the structural indicators, little support can thus be found for the priority given to human capital

[127] The assessment of relevance is based on information contained in the Lisbon Strategy Structural Indicators and information provided in the CSF case studies.

development in Greece. However, this probably reflects the lack of precision in the indicators concerned rather than any substantial misallocation: The indicators do not measure the quality of education and training. Similarly, the structural indicators do not provide clear justifications for the priority given to human capital development and business development in Ireland. In this case the structural indicators are significantly affected by rapid economic growth, just as investment in human capital development and business development may be justified on the grounds of its high growth effects rather than on the basis of structural weaknesses.

In a number of the prioritised fields, it is possible to identify developments in the Lisbon Strategy's structural indicators that are fully in line with the Structural Fund support provided and the outputs produced. This correlation cannot be seen as a causal relation, but it is likely that Structural Fund support has contributed to a positive development in the fields where the structural indicators indicate a positive development. For Portugal, this concerns the educational attainment level of the young population and the proportion of science and technology graduates. For Greece, it concerns the share of early school leavers, the educational attainment level of the population aged 18-24, and positive developments in labour productivity and capital formation. In Ireland, the structural indicators point to positive developments regarding educational attainment levels and concerning lifelong learning.

6.3.1. Portugal

Table 6.10 allows us to draw some tentative conclusions on the relevance and results of Structural Fund support for the case of Portugal and the Portuguese Community Support Framework

Human Capital Investment

- The highest priority is given to human capital investment in the Portuguese CSF for the programming period 2000-2006. This prioritisation is sensible, given several different facts: that the share of the Portuguese adult education receiving continuing education and training is significantly below the EU15 average (3,7 per cent as compared to 9,7 per cent in 2003 according to Eurostat survey data); that the education attainment level in Portugal among 20-24 year olds is very significantly below the EU15 and the EU25 average (47,7 per cent of the age cohort attained at least upper secondary education attainment level in 2003 compared to 73,8 per cent in EU15 and 76,7 per cent in EU25);[128] and not least that the Portuguese economy continues to rely on a low wage, low-skilled (but relatively high employment) production structure. These facts are also reflected in the relatively low Portuguese goal achievement score in table 6.5 as regards human capital development and in the relatively high scores as regards employment.

[128] Eurostat Structural Indicators.

- At the same time, however, there is little evidence that Structural Fund support has measurable impact on lifelong learning activities. The proportion of the adult population that has received education and training in the four weeks prior to the survey on this issue has risen only marginally from 1999 to 2003.

Table 6.10. The Relation between Structural Challenges and Structural Fund Intervention in Portugal

Structural Indicators				Main prioritised areas	Selected Outputs/ Results
Indicator	**2003 level**	**Diff. from target**	**Develop. 2000-2003**		
Employment level, total	67.2%	-2,9	-1.2%	Approximate Share of Structural Fund support relevant for the Lisbon Strategy's objectives: **21%** (= € 5,4 billion 2000-2006) **1: Human capital development *(8.5%)*** - Initial and advanced training programmes - Life-long learning - Basic skills and support to young people entering the labour market **2: Business development** *(8.5%)* - Improve Business strategies and competitiveness - Stimulate Business modernisation - Support business investment. **3: Research and development** *(1.1%)* - Development of R&D institutions networks - Development of the Scientific infrastructure networks - Promoting technological innovation	**Human capital development** - Target: 28500 students with post basic qualifications diploma. Achievement: 33% - Target: 15000 students with complete basic educational level. Achievement: 101% - Target: 3250 organisations involved in training. Achievement: 37% - Target: 9100 students with professional education. Achievement: 32% - Target: Supporting 550 innovative projects related to higher education. Achievement: 15% **Business development** - Target: 6000 SMEs supported: Achievement: 80% - Target: Create 12000 jobs. Achievement: 140% - Target: 300 research/technological projects supported: Achievement: 20% **Research and development** - Number of R&D projects supported: 1960. Achievement: 49% of target. - Number of associated laboratories created: 12. Achievement: 40% of target. - Number of scholarships: 5400. Achievement: 90% of target.
Unemployment level	6.3%		+2.2%		
Senior employment	51.1%	+1,1	+0.4%		
Internet access *(households)*	22%		+13.6%		
Total R&D expenditure	0.85% *(2001)*	-2,15	+0.1% (a)		
Expend. on educa. (% of GDP)	5.89% *(2001)*		+0.15 (b)		
Venture capital – early stage	0.008 *(2002)*		-0.019 (c)		
Adult (25-64) educ. and training (% of pop.)	3,6		+0,2 (d)		
Venture capital – expansion	0.04 *(2002)*		-0.05 (c)		
Persistent risk of poverty	15% *(2001)*		+1% (b)		
Economy energy intensity	254 *(2002)*		+13 (c)		
Greenhouse gas emissions	141 *(2002)*	+14	+6.4 (c)		
Renewable energy sources	20.8% *(2002)*	- 1,2	-8.6% (c)		

Source: Portuguese CSF Case Study and Eurostat Structural Indicators website. (a) 1999-20001. (b) 2000-2001 (c) 2000-2002 (d) 2000-2003.

- In contrast, Structural Fund support in Portugal is associated with a positive development in general educational attainment levels. The educational attainment level of 20-24 year olds has risen steadily from 1998 till today, and probably for a longer period (there is a break in the statistical series). It can be questioned how much of this rise can be attributed to Structural Fund support. However, considering the actual outputs of Fund support, the Structural Funds have clearly made a contribution: In the framework of the Education Operational Programme, and also in the Information Society Programme, Employment Training and Social Development Programme, the Economy Programme, and the Science and Technological Innovation Programme, support has been provided to many thousand students for the achievement of basic education, post-basic qualifications, and other types of competences and formal qualifications, and for support to training and education in other respects. Table 6.6 only highlights some of these outputs. Implementation progress has been fastest as regards basic education, where the target for the whole programming period had already been reached at the time of the mid-term evaluation. It has been slower as regards support to the achievement of post-basic qualification diploma and it has been slowest as regards innovative projects in higher education, highlighting the point that innovative approaches are related to a higher risk and complexity in implementation.

Business Development

- The high priority given to business development support in the Portuguese CSF also appears justified, given the structural weaknesses of the Portuguese business sector, with very many small and very few large enterprises. According to the Portuguese CSF case study, more than 85 per cent of all firms in Portugal are micro-firms and less than a half per cent are multinational enterprises.[129] Similarly, productivity is low in Portugal, with labour productivity per hour work amounting to only 58,4 per cent of the EU15 average in 2003 and 62,7 per cent of the EU15 average per person employed.[130]

- Structural Fund support has resulted in a large number of measures and activities being implemented with a view to improving enterprise competitiveness, investment, and modernisation, one focus being support for the transfer of new technology to enterprises. The pace of implementation of these measures and activities has generally been relatively good.

- Judged on the basis of available statistical information, it is not possible to identify a measurable impact. Labour productivity has been stagnant during the past 5 years, the birth rate of enterprises has been declining from 1998 to 2001, and business investment has declined from 1999 to 2003.[131] It must be considered, however, that the Portuguese economy has undergone a serious downturn in recent years, with a stagnant economy in 2002 and a negative real GDP growth rate of -1,2 per cent in 2003. Evidently, this cyclical economic downturn most likely affects the performance of the business sector much more drastically than Structural Fund support, and the downturn would have been more severe without support.

Research and Development

- The priority given to Research and Development support is justified in light of the poor levels of investment in this area, as reflected in the structural indicators. Total R&D expenditure is very significantly below the Lisbon Strategy's target, which is reflected in the fact that the frequency of patent applications is only a fraction of the EU15 average (between 1,8 and 3,1 per

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[129] Portugal CSF Case Study, p. 4.
[130] Eurostat Structural Indicators.
[131] Eurostat Structural Indicators.

cent for patent applications to the US and the EU patent offices respectively).[132]

- Structural Fund support among other things aims to provide scholarships, establish laboratories, and support a large number of specific R&D projects. Implementation rates so far appear to have been acceptable, with support to the provision of scholarships being implemented at a very high rate. We have no way of validating the quality of the various projects and learning activities.

Box 6.1 Relevant Impacts and Effects of Structural Fund Support in the Region of North Portugal

Most Structural Fund support in the Objective 1 region of **North Portugal** is allocated to activities which are not directly prioritised in the Lisbon Strategy. However, some support is devoted to activities which are relevant for the Strategy's specific objectives, and this support has already produced significant results.

As an example, Structural Fund support is allocated in support of the Digital Portugal projects. The aim of this is to provide 300 institutions with digital access and create 300 local-area networks. By now more than 200 institutions has gained access and almost 200 LANs has been installed.

Some funds are also allocated to research and development activities, especially with the aim of setting up new Science Centres. The success rate is so far more limited in this field, as only 1 out of 6 planned centres have currently been set up.

There are significant results in training activities. Several measures focus on school training and on-the-job training. In total, more than 16.000 people have undergone training supported by the Structural Funds in these measures. A specific measure has also been set up for training for local administration employees, and by 2003 more than 550 employees had received training.

Measures relevant for business development are also contained within the programme. The aims are to secure more than 30.000 visitors at events for promotion of regional products, 70 conferences and workshops, and 45 support structures offering services for regional qualification and promotion. Total Structural Fund Community Funding in the North Portugal Operational Programme amounts to € 2717.6 million for the period 2000-2006.

- Some statistical information suggests that Structural Fund support has not significantly affected the situation: The frequency of patent applications has been increasing somewhat from 1998 to 2002, but it remains at a very low level.

- However, in one field it seems likely that Fund support is having a discernible impact against the background of the types of support which have been provided: The proportion of science and technology graduates per 1000 inhabitants has increased from 6,0 in 1999 to 7,4 in 2002. Structural Fund support has made a contribution to this development.

[132] Eurostat Structural Indicators.

6.3.2. Greece

Table 6.11 relates the relevant structural indicators for Greece to the key priorities of Structural Fund support in the current Community Support Framework and the progress of implementation in these fields, measured by the allocation of funds to projects.

Table 6.11. The Relation between Structural Challenges and SF Intervention in Greece

	Structural Indicators		
Indicator	**2003 level**	**Diff. to target**	**Developm. 2000-2003**
Employment level, total	57.8%	-12,2	+2.1%
Unemployment level	9.3%		-1.7%
Senior employment	42.1%	-7,9	+3.5%
Internet access *(households)*	16%		+10.2%
Total R&D expenditure	0.64% *(2001)*	- 2,36	-0.04 (a)
% of GDP expenditure on education	3.8%		+0.3
Venture capital – early stage	0.009%		+0.002
Venture capital – expansion	0.023		-0.128
Persistent risk of poverty	14%		+1
Economy energy intensity	258 *(2002)*		-6 (c)
Greenhouse gas emissions	126 *(2002)*	+1	+5.3 (c)
Renewable energy sources	6.0% *(2002)*	-14	-1.7% (c)

Main prioritised areas	Selected outputs / results
Approximate share of Structural Fund support relevant for the Lisbon Strategy's objectives: **39%** (= € 9,75 billon 2000-2006)	
1: Human capital development *(15%)* 1.1: Initial vocational education and training *(1.99%)* 1.2: Improvement of the quality of education provided *(1.06%)* 1.3: Reform of study program-mes, expansion of higher educa-tion *(1.25%)* 1.4: Combating school failure and reducing the number of dropouts through alternative forms of learning *(0.67%)*	**Human Capital** Ad. 1.1: 32.3% of output target achieved Ad. 1.2: 40% of output target achieved Ad. 1.3: 40% of output target achieved Ad. 1.4: 61,4% of output target achieved
2: Sustainable development *(11%)* 2.1: Athens underground *(2.74%)* 2.2: Basic infrastructure in waste management sector *(0.5%)* 2.3: Aid for investment in co-production, renewable energy sources and energy saving *(0.9%)* 2.4: Special energy infrastructure for islands, promotion of renewable energy *(0.37%)*	**Sustainable development** Ad. 2.1: 47.2% of output target achieved Ad. 2.2: 1.4% of funds disbursed for projects Ad. 2.3: 8% of output target achieved Ad. 2.4: 23% of output target achieved
3: Business development *(8%)* 3.1: Investment in manufacture and trade of agric. prod. *(1.14%)* 3.2: Agric. exploitation *(1.15%)* 3.3: Enterpr. competitiveness, *(0.58%)* 3.4: Busines in digital economy *(0.57%)*	**Business development** Ad. 3.1: 4.2% of funds disbursed to projects Ad. 3.2: 50.9% of funds disbursed to projects Ad. 3.3: 85% of output target achieved Ad. 3.4: 5.3% of funds disbursed to projects.

Source: Greek CSF Case Study and Eurostat Structural Indicators website. (a) 1999-2001 (b) 2000-2001 (c) 2000-2002 (d) 2000-2003.

Human Capital Investment

- As in Portugal, support for human capital development is the Lisbon Strategy theme to which the Greek CSF allocates the highest proportion of funds, namely 15 per cent of total community funding in the overall CSF. Substantial investment support has been provided to initial vocational education and training, for the improvement of the quality of education, for the expansion of higher education, and for the reduction of school dropout rates, among other things. The prioritisation of human capital development is mirrored in the overall political priorities of both the present and the past Greek governments: According to the National Report on Structural Reforms 2003, public expenditure on education will approach 5% of GDP in 2008.[133]

- Greece does face structural challenges of the same magnitude as Portugal as regards the qualification levels of the population. The prioritisation of human capital investment hence does not appear equally closely related to structural challenges as in the case of Portugal: At 81,7 per cent in 2003, the educational attainment level in Greece among 20-24 year olds (measured as the proportion having attained at least upper secondary educational attainment level) is above the EU15 average of 73,8 per cent.[134] The proportion of early school leavers 18 to 24 years old is slightly below the EU15 average (15,3 per cent as opposed to 18,1 per cent).[135] On the other hand, Greece still allocates fewer resources to education than the EU15 average (3,9 per cent of GDP in 2003 as opposed to 5,1 per cent of GDP[136]). Furthermore, Structural Fund support in the field of human capital development has to a great extent been allocated to quality improvement of education at different levels. Available information does not allow any assessment of the extent to which there are challenges concerning quality and content in the Greek system of education and training.

- There is some evidence that Structural Fund support is associated with positive developments in Greece as regards human capital. Developments have been positive in several respects: the proportion of early school leavers has been reduced from 19,8 per cent in 1998 to 15,3 per cent in 2003; the percentage of young people aged 20-24 years having attained at least upper secondary education attainment level has increased from 77,4 to 81,7 in the same period; and the percentage of the adult population aged 25 to 64 participating in education and training displays an upward trend, even if from a very low level indeed.

- It is not possible to assess whether there has been a contribution from the Structural Funds to quality improvements in training and education. However, measured as the rate of financial allocation, implementation of quality development projects appear to progress largely according to the plan.

Sustainable Development

- As regards environmental sustainability, it is noticeable that the high priority given to this theme to some extent reflects the need for Greece to live up to international legal and contractual obligations, such as a number of EU directives on environmental protection.[137] The fact that Greece does not presently fulfil these obligations points to an objective need for investment in

[133] Greek CSF Case Study p. 13. The present government has reaffirmed its commitment to the objective.
[134] Eurostat Structural Indicators.
[135] Eurostat Structural Indicators.
[136] 2001-data
[137] Greek CSF Case Study pp. 41-42.

a number of fields. This need also to some extent appears to justify the emphasis on basic infrastructure in environmental sustainability support.

- There only limited statistical evidence that Structural Fund support is associated with positive environmental protection developments: Municipal waste collection in kg. per capita per year has increased by 8 per cent from 1999 to 2002.

- In contrast there are several indicators which point to negative or neutral developments, as is also reflected in the low goal achievement score of Greece in table 6.5: The energy intensity of the economy has risen from 2000 to 2003, the share of road transport of total inland transport remains constant at a high level, and the share of renewable energy sources for electricity production has in 2000-2003 decreased from a low level.[138]

- This information fits well with the fact that the implementation of support measures for sustainable development has frequently proceeded at a slow pace, with the notable exception of the construction of the Athens underground which has only a limited direct relevance for environmental protection. It also fits well with the observation that there is a general acceptance in the country of an increase in negative environmental impacts if an acceleration of economic growth is to be achieved.[139]

- In sum, it seems that there is some evidence that the contribution of the Structural Funds to environmental sustainability in Greece has been limited in the period 2000-2003.

Business Development

- Support for business development is a third Lisbon theme which is given high priority in Greece. Available statistical information suggests that this prioritisation is well founded: The level of venture capital investment in Greece is significantly below the EU15 average (33 per cent of the EU average for early stage investment and 12 per cent of the EU average for expansion and replacement investment). Labour productivity per hour worked stands at 74 per cent of the EU15 average in 2003. Industry's share of total R&D investment is little more than half the EU15 average (2001 data), and the number of patent applications per million inhabitants is only a fraction of the EU15 average.[140]

- Structural Fund support to business development has included support to a range of different measures, financed through different Sectoral/Operational Programmes: the Competitiveness Programme, the Agriculture/Rural Rehabilitation Programme, the Fisheries Programme, and the Information Society Programme. It can be noted that a rather larger share of support to business development concerns rural development. It can also be noted that

[138] Eurostat Structural Indicators.
[139] Greek CSF Case Study p. 42.
[140] Eurostat Structural Indicators.

implementation has proceeded at a relatively slow pace as regards a number of measures.

- There is some data which tentatively suggests that Structural Fund support is associated with positive developments in enterprise competitiveness. Labour productivity per hour worked has increased steadily from 1998 to 2003, from 64,9 per cent of the EU15 average in 1998 to 73,8 per cent in 2003. Labour productivity per person employed has increased from 77,3 per cent to 90,3 per cent of the EU15 average in the same period.[141] Gross fixed capital formation by the private sector as a percentage of GDP has increased from 17,6 in 1998 to 21,8 in 2003, indicating an increased investment propensity in the private sector. The number of patent applications to the European Patent Office per million inhabitants has increased by 14 per cent from 1998 to 2002, although from a very low level.[142]

6.3.3. Ireland

From table 6.12 it appears that the main Structural Fund priorities in the CSF in relation to the Lisbon Strategy's themes has been support to sustainable development investment (approx. 11 per cent of total Community Funding), human capital development (approx. 10 per cent of funding), and business development (approx. 7.6 per cent of Community Funding).

Sustainable Development

- The Focus on sustainable development investment in Ireland is to a great extent justified by the intensified environmental problems caused by rapid economic growth. Thus, specific activities promoting sustainable energy, energy conservation, and environmental protection, are to a considerable extent financed by SF.[143] At the same time, Ireland is facing a number of environmental challenges, as is also reflected in the country's relatively low goal achievement score as regards sustainable development, shown in table 6.12.

- Programme implementation in the field of sustainable development investment proceeds at satisfactory speed. Measured against relevant structural indicators, however, there is only little evidence that investment has had any measurable impact. The emission of greenhouse gasses has increased almost 5 percentage points from 1999 to 2002. The road share of total freight transport has also increased, and the share of renewable energy sources for energy production has remained at a constant low level from 1998 to 2002. On the other hand, the energy intensity of the economy has increased significantly with rapid economic growth (from 190 in 1998 to 164 in 2002), suggesting that growth has been concentrated in sectors with relatively limited energy consumption (services).

[141] Eurostat Structural Indicators. The 2003 figure is a forecast.
[142] Eurostat Structural Indicators.
[143] Irish CSF Case Study p. 39.

- Structural Fund support is likely to have made a contribution to environmental protection in the country, but not in areas that are covered by the Structural Indicators of the Lisbon Strategy. Investment in sustainable development infrastructure most likely concerns waste treatment and similar projects.

Table 6.12. The Relation between Structural Challenges and Structural Fund Intervention in Ireland

Structural Indicators				**Main prioritised areas**	**Selected Outputs/ Results**
Indicator	**2003 level**	**Diff. from target**	**Develop. 2000-2003**		
Employment level, total	65.4%	-4.6	+0.2%	Approximate Share of Structural Fund Support relevant for the Lisbon Strategy's Objectives:	**Sustainable development** - Few quantitative targets. 70% of allocated ERDF funds has been spent.
Unemployment level	4.6%		+0.3%	**42%** (= € 1,34 billion)	- Target: Number of projects: 56. Achievement: 41%
Senior employment	49.0%	-1.0	+3.8%	**1: Sustainable development** (11.3%)	**Human capital development**
Internet access (households)	36%		+18.5%	- Environmental infrastructure (10.6%)	- Life-long learning: Target: 28.655 students. Achievement: 96%
Total R&D expenditure	1.15% (2001)	-1.85	0%	- Sustainable energy (0.7%)	- National adult literacy strategy. Target: Number availing literacy services: 23973. Achievement: 193%
Expend. on educa. (% of GDP)	4.6%		0%	**2: Human Capital development** (9.8%) - Employability (9.8%)	- Training for unskilled/redundant workers. Target: 39943 persons. Achievement: 262%
Venture capital – early stage	0.021% (2002)		-0.08 (c)	**3: Business development** (7.6%)	- Traineeship. Target: 4018 persons. Achievement: 65%
Adult (25-64) educ. and training (% of pop.)	7,7 (2002)	-	-	- Entrepreneurship (3.0%) - Local enterprises (4.6%)	
Venture capital – expansion	0.06		-0.04		**Business development** - Number of social economy companies supported. 334 enterprises supported, represents 111% success rate.
Persistent risk of poverty	13%		0		
Economy energy intensity	164 (2002)		-2 (c)		
Greenhouse gas emissions	128.9 (2002)		+1.1 (c)		
Renewable energy sources	5.4% (2002)	-8,2	+0.5% (c)		

Source: Irish CSF Case Study, ESRI 2003 and Eurostat Structural Indicators website. (a) 1999-20001. (b) 2000-2001 (c) 2000-2002 (d) 2000-2003.

Human Capital Development

- It can be discussed whether Ireland faces specific challenges with regard to human capital development. Public spending on education is at a level close to the EU15 average, the share of early school levers is below the EU15 average, and the youth educational attainment level was already above the EU15 average in 1999.[144] However, these figures contain no information on the quality of training and education, and there may be good justifications for upgrading the skills of the workforce in the light of rapid economic growth and a changing business structure.

[144] Eurostat Structural Indicators.

- There is evidence that human capital has undergone positive development in Ireland during the past five years: The percentage of young people aged 20-24 years having attained at least upper secondary education attainment level has increased from 81,9 per cent in 1999 to 85,7 per cent in 2003. The share of the adult population taking part in education and training has increased from 5,2 per cent in 1997 to 9,7 per cent in 2003.[145] Structural Fund support, with its focus on lifelong learning and general human resource development, has contributed to these developments. ESRI (2003:48-49) thus concludes that the private returns to investment in education have fallen but remain very significant, and that the result of overall public investment (CSF/NDP) has been a major upgrading in the educational attainment of the labour force.

Business Development

- The development of enterprises in Ireland should be understood in the context of high economic growth since at least 1995. This period has been marked by strong employment growth and decreasing unemployment. The total employment rate has increased from 60,6 per cent in 1998 to 65,4 per cent in 2003. Unemployment has decreased from 7,5 per cent in 1998 (and much higher levels earlier) to 4,6 per cent in 2003.[146]

- The Structural Funds, accounting for approximately 14 per cent of the total expenditure of the National Development Plan in the three years from 2000 to 2003, have contributed to this development (ESRI 2003: 66): It is estimated that total CSF support has had a positive short run effect on GNP in the range 0,5-0,8 per cent in each of the years 2000-2002. These figures pertain to total CSF support, not just the shares directly relevant for the Lisbon Strategy's specific objectives.

6.3.4. Sachsen-Anhalt

In the Objective 1-region of Sachsen-Anhalt, support to business development, to research and development, and to human capital development, are the three Lisbon themes which are given the greatest attention in Structural Fund programming. These three fields account for a significant share of the approximately 67 per cent of total Structural Fund support which is directly relevant for the Lisbon Strategy objectives in the region.[147]

Business Development

- The prioritisation of this theme in programming is highly justified due to the weak enterprise basis of the new German Bundesländer in general. As for

[145] Eurostat Structural Indicators.
[146] Eurostat Structural Indicators.
[147] Due to the structure of programming in the region, some measures have been registered as relevant for several Lisbon Strategy objectives, for which reason the share of total SF funding allocated to each of the three themes adds up to more than the total share of Structural Funding which is directly relevant for the Lisbon Strategy objectives.

Sachsen-Anhalt, the region was an industrial centre at the beginning of the 20th century, its main industries being the chemical industry, energy generation, and mechanical engineering. Today, a large portion of this industrial basis has been lost. In 2002, manufacturing (excluding the construction industry) accounted for just 19.8 per cent of total regional GDP.[148]

Table 6.13. The Relation between Structural Challenges and Structural Fund Intervention in Sachsen-Anhalt

	Regional Level (SA)		**National Level (Germany)**		**Main Prioritised Areas in SF**	**Selected Outputs/ Results**
Unemployment rate – total	23.5% *(2002)*	+4.1% (f)	9.4% *(2002)*	+1.2% (f)	Approximate Share of SF Support relevant for the Lisbon Strategy's Objectives: **67%** (= € 2,3 billion 2000-2006) **1: Business developm. (30%)** - Promotion of productive investments (18.1%) - New financial instruments for the promotion of SMEs (4.4%) - Consultancy, coaching, entrepreneurship (3.7%) **2: Research and development (25%)** - Promotion of productive investments, promotion of research, technological development and the information society, development of product and process innovation (15.1%) - Promotion of consultancy and services for SMEs (7.27%) **3: Human Capital development (15%)** - Promotion of basic education and practical training (3%) - Training for long-term unemployed and people with learning disabilities (2%) - Pre-operating studies improving the employment orientation of pupils (MBO) and "product. learning" (SPRINT)	**Business development** - Number of projects related to productive investment: 906 (goal achievement: 60.4%) - Number of jobs created: 7104 (goal achievement: 71%) - Venture capital stock for technology oriented SMEs: 36.8 mil/euro allocated (goal achievement 92.7%) **Research and development** - Number of projects related to productive investment: 906 (goal achievement: 60.4%) - Securing and realisation of patents: 456 (goal achievement: 57%) **Human capital development** - Employment opportunities for short-term unemployed: 8902 (goal achievement: 61.4%) - Training and integration of young people: 5259 particip. (goal achievement: 42.9%) - MBO and SPRINT participants: 1277 (goal achievement: 39.3%)
Unemployment – females	26.1% *(2002)*	+3.8% (f)	9.1% *(2002)*	-0.1% (f)		
Proportion of population undertaking a tertiary education	1.5% *(2000)*	+0.1% (e)	2.5% *(2000)*	0% (g)		
R&D expenditure (all sectors) as % of GDP	1,25% (1999)	-	2.5% *(2003est)*	+0.01% (d)		
Business sector R&D investment as % of GDP	0,42% (1999)	-	1,7% (1999)			
Long-term unemployment (in % of total unemployment rate)	59.8% *(2002)*	+5% (f)	47.9% *(2002)*	+2.9% (f)		
Level of Internet access (households)	-	-	51% *(2003)*	+13.1% (h)		
Public spending on education as % of GDP	-	-	4.53% *(2000)*	-		
Energy intensity of the economy	-	-	165 *(2002)*	0 (d)		
Renewable energy sources	-	-	8.1% *(2002)*	+1.3% (c)		

Source: Sachsen-Anhalt Case Study, Eurostat Structural Indicators website and European Regional Statistics New Cronos. (a) 1999-2001 (b) 2000-2001 (c) 2000-2002 (d) 2000-2003 (e) 1998-2002 (f) 1999-2002 (g) 1998-2000 (h) 2001-2003.

- This is reflected in high unemployment rates and a high degree of long term unemployment. It is also reflected in the labour market situation in other respects: For the past several years, 40% of the annual cohort searching for an apprenticeship place have been unsuccessful and have been placed on a waiting list. The number of apprenticeship place offers in industry fell by about a third from 1998 to 2001. 25 per cent of apprenticeships in Sachsen-Anhalt are composed of off-the-job training, which is extremely high compared to the average for the old federal states of 4 per cent. While 48 per

[148] Sachsen-Anhalt Case Study p. 11.

cent of the apprentices were in 1998 absorbed by industry, this figure declined to 42 per cent in 2001.[149]

- Structural Fund support has to a great extent focused on promotion of productive investment (investment support to enterprises), support for consultancy and coaching to enterprises, and on support for entrepreneurship and the provision of new financial instruments for the promotion of Small and Medium Sized enterprises.

- Based on available statistical information, there is little evidence that Structural Fund support has had a discernible impact. The total unemployment rate has risen significantly more in Sachsen-Anhalt than in Germany in general in the period 1999-2002. The same applies specifically to female unemployment and to long-term unemployment in the same period.

- However, it seems likely that developments in Sachsen-Anhalt would have been even worse had Structural Fund support not existed: Based on information from the mid-term evaluation, several thousand jobs have been created as a result of support. Apart from this, we have no data which allows us to estimate the extent of the contribution of Structural Fund support.

Research and Development

- A significant proportion of Structural Fund support in Sachsen-Anhalt is devoted to the promotion of Research and Development. This prioritisation is meaningful against the background of the structural characteristics of the region: The proportion of Sachsen-Anhalt's GDP allocated to total R&D investment was about half the general German level in 1999, and for business sector investment about ¼ of the general German level.

- Substantial support has been provided to direct productive investment in firms and to development of product and process information. Support has also been provided to the promotion of consultancy and services for SMEs in connection with technological development, research and innovation. Project implementation appears to have proceeded at a satisfactory speed.

- The impacts of this support cannot be validated, however, as there is no relevant data available which can shed light on developments in the present programming period. It is clear, however, that any positive contribution to enterprises’ research and technology efforts and product innovation has so far failed to generate positive employment effects of a magnitude which can outweigh the negative trends in overall employment levels in the region.

Human Capital Development

- The third Lisbon Strategy theme which has received Structural Fund support in the region is support to human capital development: Approximately 15 per

[149] Sachsen-Anhalt Case Study p. 12.

cent of total Structural Fund support to Sachsen-Anhalt is devoted to measures in this field.

- This prioritisation is justified when considering that the share of the population in Sachsen-Anhalt that is participating in tertiary education is less than 2/3 of the share for Germany as a whole. However, when considering the general educational attainment level of Sachsen-Anhalt, the region actually had a higher percentage of persons with high attainment level in 2002 (25,3) than the overall German average (22,3) and a lower share of the population with a low attainment levels, 8,2 as opposed to 17,0 for Germany as a whole (Commission 2004c: 190-191). It can be doubted, however, whether the skills and competencies which were acquired by the population in the education and training system that existed in the German Democratic Republic remain relevant today. In the historical context, it seems justifiable to prioritise an upgrade of skills and competencies.

- For most of the supported measures, implementation progress appears satisfactory even though goal achievement of the MBO and SPRINT programmes is below target. There is at present no statistical data which can provide information on the actual impacts on human capital development in the region.

6.3.5. Norra Norrland, Sweden

The Objective 1 region of Norra Norrland, Sweden, is a somewhat atypical Objective 1 region, being relatively prosperous. However, due to a very low population density it is eligible for Objective 1 support, and total Structural Fund support of approximately € 390 million is devoted to measures that are directly relevant for the Lisbon Strategy in 2000-2006.

Business Development and R&D

- Historically, a few large companies within the primary sector (e.g. forestry, mining etc.) have dominated the regional economy in Norra Norrland. As a result of the rationalisations during the 1990’s, these industries have decreased in terms of employment, and the region is pursuing a development strategy which places emphasis on innovation, research and development, information technology, and information infrastructure and network creation between enterprises and the public and private sectors. This strategy is seems justified against the background of the geographical challenges of low population density and peripherality which the region faces. The focus on R&D seems justified when considering that the proportion of GDP allocated to R&D is in Norra Norrland less than 25% of the Swedish national average, and that the number of patent applications in the region is little more than half of the Swedish average.[150]

[150] Sweden / Norra Norrland Case Study pp. 7-8.

- Programme implementation has proceeded at a satisfactory rate in the first term of the programming period in the areas of business development support and R&D investment.

Information Infrastructure

- As regards information infrastructure, focus in the region is on the establishment of high capacity information infrastructures, the extension of IT networks, the development of applications which support widespread use of communication, and support for the development of eGovernment.

Table 6.14. The Relation between Structural Challenges and Structural Fund Intervention in Norra-Norrland, Sweden

	Regional Level (NN)		**National Level (S)**		**Main prioritised areas**	**Selected Outputs / Results[151]**
	Status	**Develop.**	**Status**	**Develop.**	Approximate Share of Structural Fund Support relevant for the Lisbon Strategy's Objectives: **78%** (= € 390 million 2000-2006) **1: Business Developm. (39%)** - E.g. Involvement in networks and strategic alliances, entrepreneurship, creation of innovation centres, improvement of co-operation between research and enterprises **2: R&D (13%)** - Development of competitive research environments and technology, competence and development centres. - Co-operation between research and enterprises. **3: Information infrastr. (7%)** - Investments in high-capacity information infrastructures. - Extension of IT-networks - Internet applications supporting high common usage of communication - eGovernment	**Business development** - Number of networks: 37 (246% of quantitative target) - Number of SMEs supported: 2246 - Number of new companies: 1189 (108% of quant. target) - Employment effects: 4362 jobs (83.8% of quant. target) **Research and development** - Number of R&D projects: 89 (592% of quantitative target) - New research environments established: 7 (140% of quant. target) - Further developed existing research environments: 8 (80% of quantitative target) - Number of new companies: 16 (16% of quantitative target) - Employment effects: 340 jobs (103% of quant.target) **Information infrastructure** - Number of regional/trans-regional co-op. projects: 22 (146% of quant. target) - Number of new IT based services: 13 (87% of. target) - Employment effects: 153 jobs (102% of quant. target)
Unemployment rate – total	6,1% (2002)	-3,6% (f)	5.1% (2002)	-2.4% (f)		
Unemployment – females	4,6% (2002)	-5,1% (f)	4.6% (2002)	-2.6% (f)		
Proportion of population undertaking a tertiary education	5,7% (2000)	+2,5% (g)	3.9% (2000)	+0.8% (g)		
R&D expenditure (all sectors) as % of GDP	0,95% (2001)	-	4.27% (2001)	-		
Long-term unemployment (in % of total unemployment rate)	17,6% (2002)	-19,5% (f)	19.9% (2002)	-9.1% (f)		
Level of Internet access (households)	-	-	64.2% (2002)	+16.7% (c)		
Public spending on education as % of GDP	-	-	7.32% (2001)	-0.07% (b)		
Energy intensity of the economy	-	-	224 (2002)	+9 (c)		
Renewable energy sources	-	-	46.9% (2002)	-8.5%		

Source: Norra Norrland Case Study, Eurostat Structural Indicators website, European Commission 2004c and European Regional Statistics New Cronos. (a) 1999-2001 (b) 2000-2001 (c) 2000-2002 (d) 2000-2003 (e) 1998-2002 (f) 1999-2002 (g) 1998-2000 (h) 2001-2003.

- Implementation in most of these areas has proceeded at a very satisfactory pace. The number of established regional/transregional cooperation projects has for instance overachieved its target by almost 50 per cent in the first half of the programming period.

[151] Target achievement has been calculated in relation to the mid-term target.

Results and outputs

- Whereas there is little statistical information available which can shed light on the results and impacts of each individual measure, it is noticeable that employment developments in Norra Norrland have been more positive than in the rest of Sweden in the first years of the new millennium: The total unemployment rate in Norra Norrland is still higher than in Sweden in general, but the decrease in unemployment has been somewhat greater. Female unemployment has decreased at almost twice the rate as the national level. Long term unemployment has decreased 19,5 per cent from 1999 to 2002, as opposed to only 9,1 per cent in Sweden as a whole.

- While it is not possible to isolate the effect of Structural Fund support on these figures from the effects of other factors, it nevertheless seems clear that the Structural Funds have made a positive contribution. It must also be considered in this respect that Structural support per capita devoted to Lisbon Strategy themes is relatively high in Norra Norrland: Approx. € 762 per person, compared approximately € 524 per person in Portugal.[152]

6.4. Adaptation of the Structural Funds to the Lisbon Strategy?

This section addresses the question of whether Structural Fund support has been influenced by the Lisbon Strategy's priorities, for instance in connection with the mid-term review or in other respects.

Since the priorities and measures of the Structural Funds for the term 2000-2006 were decided upon prior to the formulation of the Lisbon Strategy, the original programming documents do not explicitly refer to Lisbon Strategy themes.

Consequently, the question to be analysed here is whether the strategies of the Structural Funds in recent years have been redirected or adjusted as a consequence of the launch of the Lisbon Strategy. Redirecting is defined broadly as including

- any adjustment of the legal or administrative framework at national and regional level
- reallocation of resources between priorities or
- efforts to highlight Lisbon Strategy themes in the implementation of the programmes.

There are several possibilities in this regard:

- That the Structural Funds are explicitly directed more precisely towards the objectives of the Lisbon Strategy, following the priority given to the Strategy in the country and region concerned.

[152] Calculation based on own figures for the share of Structural Fund support allocated to Lisbon Strategy themes and population data in Commission (2004d).

- That the Structural Funds indirectly are adjusted in accordance with the Lisbon Strategy, namely so as to cushion the effects of structural reforms of the economy leading to for instance higher unemployment levels in some sectors and areas.
- Finally, it is possible that no significant changes have been undertaken in the mid-term revisions and/or that changes are unrelated to the Lisbon Strategy.

Limited Redirection of the Structural Funds with Reference to the Lisbon Strategy

In principle, if the redirection of Structural Fund intervention is to be a consequence of the Lisbon Strategy, it must be implemented with explicit reference to the Lisbon Strategy or some of its themes. However, as we have seen in Chapter 5, the case studies generally show that even though most Member States have initiated reforms or launched initiatives at the national level that are relevant to the Lisbon Strategy, these reforms only to a limited extent refer explicitly to it, and the political saliency of the Strategy varies considerably.

Against this background it is not surprising that the case studies provide only few examples of a redirection of the Structural Funds for the programming period 2000-2006 with explicit reference to the Lisbon Strategy. The clearest example is the Italian case, which can be regarded as the exception to the rule. In the case of the United Kingdom, a number of changes have been recommended as a consequence of the mid-term evaluations, but the majority of these concern what could be described as the 'mechanics' of implementing the various programmes rather than changes to their focus and substance. The changes recommended should make the programmes more efficient in achieving those of the Lisbon Strategy's objectives that they already were contributing to.

As regards Italy, the regional Managing Authority at an early point addressed the challenges of the Lisbon Strategy, being aware of its strategic importance even though the strategy was not directly linked with the Structural Funds framework. The need to establish synergies between the two approaches was communicated to different relevant co-ordination and monitoring committees.[153] Recently, the integration of the Lisbon themes in the Objective 1 regions' programming has been reinforced through the mid-term evaluation process. The Multiregional Operational Programme for Research, Technological Development and High-level Training, and the MOP for Schools, contain operational schemes that are to a great extent coherent with the Lisbon Strategy. The MOPs take into account the socio-economic development conditions of the Mezzogiorno and its level of growth and competitiveness, which is still significantly inferior to the national average.

The Italian redirection of Structural Fund interventions includes both re-organisation of the administrative and managerial structures as well as content-ajustment of the programmes' priorities and focus. Items such as research and technological development, information society, and environment protection, are

[153] Italian / Campania Case Study, pp. 21-22, 30.

now quoted as main priorities to be further addressed in the second programming phase. Redirection also includes some reallocation of resources between priorities. Research and technological development, information society, and environment safeguarding, are themes to which the ROP has devoted major attention both in terms of targets identification and of allocated resources.

In the German case, changes in Structural Fund programming (mid-term revisions) are occurring in response to the mid-term evaluations, and to some extent also in response to other circumstances. No direct references to the Lisbon Strategy and objectives have occurred as part of these changes. However, some of these changes reflect the impact of structural reforms which are at least indirectly related to the Lisbon Strategy. Thus, in the case of Sachsen-Anhalt, the mid-term revisions submitted to the European Commission in December 2003 try to anticipate the expected labour market-related effects of the ongoing legislation processes at Federal level on the labour market situation in the new federal states. These may result in a situation where further Structural Fund support will be required for long-term unemployed and those receiving "Arbeitslosengeld II", i.e. those unemployed for more than a year who, in the future (starting in January 2005) will only receive a drastically reduced unemployment benefit compared to today.[154]

There are Rarely Urgent Adaptation Needs, but Greater Significance of the Lisbon Strategy is Anticipated

There are thus very few examples of Structural Fund interventions being redirected with explicit or even indirect reference to the Lisbon Strategy. However, as the case studies illustrate this does not necessarily mean that there is a conflict between the priorities of the Structural Funds and the Lisbon objectives, or that the Structural Funds are somehow unresponsive to the Lisbon Strategy. For as we have seen it, there is a considerable congruence between the objectives of the Funds and those of the Lisbon Strategy. Consequently, it can be argued that there is rarely any urgent need to redirect the Structural Fund programmes. Many of the notions linked to the Lisbon Strategy concerning social inclusion, gender issues, sustainability, investment in human capital, and widening access to ICT infrastructure, are commonly used and are highlighted in the promotion of projects.

In most Member States there is a clear expectation that the Lisbon Strategy will be formally integrated into the programming for the next programming period 2007-2013. For example, in the UK case both the Federation of Small Business and the Local Government Association stated that they believe the Lisbon Strategy will be important for the next round of Structural Fund support. There are a number of similar examples from different case studies.

[154] German / CSF Case Study p. 51.

Administrative and Political Barriers for Structural Fund Adaptation to Lisbon

Based on the case studies, a number of barriers for a flexible adaptation of the Structural Funds in the light of the Lisbon Strategy can be identified at the regional and local level. Among significant barriers, the following can be emphasised:

- Limited strategic coordination of activities and policies linked to the Lisbon Strategy at national/federal level.

As described in more detail in Chapter 5, there is not generally a strategic approach to the Lisbon Strategy among the Member States. This is so in the sense that "implementation" of the Strategy only to a very limited extent involves for instance the definition in the national context of strategic targets and the roll-out of subsequent reforms involving considerable cross-sectoral and cross-ministerial coordination. This also implies that the Structural Funds are only rarely considered as an integral part of the Strategy and as an instrument which could be used to facilitate reform.

- Limited knowledge of the Lisbon Strategy at regional and local level.

At regional and local level few of the people on the ground at local level are aware of the National Action Plans for Employment and Social Exclusion, or indeed of the Lisbon Strategy. In the UK/ Western Scotland case study, one interviewee working with the Structural Funds at local level stated "what is that?" when asked about the Lisbon Strategy155; or in the words of the German case, the Lisbon Strategy has „not arrived in Sachsen-Anhalt".[156]

- The breadth of the Lisbon Strategy objectives.

The UK/ Western Scotland case study argues that because of the breadth of the Lisbon Strategy, different interests construe the Strategy differently. Most notably, the business sector describes it as being about 'competitiveness' and the trade unions and anti-poverty NGOs describe it as being about 'social inclusion, better working conditions' etc.[157] Because of the breadth of the Lisbon objectives, one respondent explained that a "typical Region could have 34 'quango's'[158] having part of a Lisbon remit, as well as government offices, local government, and private and voluntary sector bodies!". At regional and local level, the breadth of the Lisbon Strategy would thus seem to impede coordination and a clear focus.

- A clearer focus on the Lisbon Strategy's objectives would imply a shift to other types of projects which are considered to present some difficulties in relation to present administrative principles of the Structural Funds.

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[155] UK / Western Scotland Case Study, p. 36.
[156] German / Sachsen-Anhalt Case Study, p. 48.
[157] UK / Western Scotland Case Study, p. 12.
[158] Also known as Non-departmental public bodies or NDPBs

In the UK, the Department of Trade and Industry, responsible for competitiveness in general and the Structural Funds in particular, generally welcomes the new focus provided by Lisbon, but worries about the much higher levels of administrative effort required when the focus shifts from large scale infrastructure projects, on which it is relatively ‘easy’ to spend large sums of money, to small enterprises and related support. This is because more applicants and smaller sums per application are involved. Spending is also less predictable.[159]

In the German case, it is emphasised that demanding and important programmes which advance the Lisbon Strategy require a certain start-up time. Such important long-term projects do conflict, at least to some extent, with the N+2 Regulation. This regulation binds funds in annual portions, and lets funds which have been bound in year N lapse if they are not used in the same year or the two subsequent years. Mechanisms such as the N+2 Regulation, therefore, tend to favour short-term projects or those which can be planned easily. The implementation and management of long-term projects and those which are more demanding and difficult to plan, however, are made more difficult. Examples of strategically important federal initiatives that would be difficult to manage within the Structural Fund framework are the “Zenit-Project Brain Research” (Zenit-Projekt Hirnforschung) and large-scale projects like the “Cellulose-Project” with very long development and implementation phases of up to ten years.[160]

Another aspect concerns the tendency to favour risk-averse projects in Structural Funds interventions. In the Austrian case it is argued that many supported measures, e.g. in the framework of the Objective 2 programme, are risk-averse due to the European Commission’s very restrictive mechanisms of financial control. This strict control penalises risk-taking by the administration in charge of a certain measure. Hence, the Structural Funds’ impact on the innovation potential of the regional economy may be said to be limited from the very beginning. The same argument is presented in the Irish CSF Case Study.[161]

- The dispersion of Structural Fund support implies that in several Member States, Structural Fund Support is structurally insignificant in the national context.

In some of the wealthier Member States such as Sweden, Denmark, and Austria, Structural Fund support is relatively insignificant, hence making their co-ordination with the national implementation of the Lisbon Strategy both less important and less likely. In the Austrian case, the “immediate” impetus of the Structural Funds on the formal implementation of the Lisbon Strategy is thus seen to be rather small, first and foremost due to the relatively small volume of

[159] UK / Western Scotland Case Study, p. 11. This comment pertains to the EU in general, as the Structural Funds do not support physical infrastructure investment to any significant extent in the United Kingdom.
[160] German / Sachsen-Anhalt Case Study, p. 47.
[161] Irish CSF Case Study, p. 3.

Structural Funds support in the country.[162] In the Danish case, similar observations were made by representatives of the Ministry of Employment.[163]

- Diverse regional capabilities and unrealistic Lisbon Strategy targets.

As the Lisbon Strategy has been conceived and designed for the whole territory of the European Union, some targets and objectives are quite ambitious and indeed unrealistic for regions whose development is lagging behind. The readiness of the regions to adapt their own Structural Funds programming to the Strategy may be affected by this. The Italian case study thus emphasis that taking into account the specific conditions of the Objective 1 Regions could facilitate the reinforcement of synergies and complementarities between the Structural Funds and Lisbon Strategy.[164]

6.5. Process Contributions of the Structural Funds to the Lisbon Strategy

In the sections above, the discussion of congruence and lack of congruence between the Structural Funds and the Lisbon Strategy has focused on potential and actual output contributions. Structural Fund contributions to the Lisbon Strategy may also take the form of process effects, however. Process effects are defined as contributions to a Member State's or region's ability to implement the Lisbon Strategy.

There are various potential examples of this. Positive contributions to implementation capacity may occur where experiences from the implementation of Structural Funds programmes have facilitated the development or implementation of new policies at national or regional level in the framework of the Lisbon process. This could be the case e.g. in relation to policies for creating a friendly environment for business start-ups, where experiences from the implementation of Objective 1 or Objective 2 projects may be relevant.

The long-term and large-scale operation of Structural Funds programmes may also have resulted in the development of new institutional capacities in relevant agencies and bureaucracies; may have implied a professionalisation of the civil service in various respects which facilitates its active participation in the Lisbon process; may have facilitated patterns of partnership and cooperation which prove to be relevant in the context of the implementation of the Lisbon Strategy; or may have contributed to the development of common frames of reference or shared understandings which render it easier to develop new policies with the involvement of diverse types of actors.

The significance of process effects of this sort is a matter of assessment based on qualitative data. Nevertheless, a clear picture emerges

[162] Austrian / Niederösterreich Case Study, p. 6.
[163] Interview data, May 2004.
[164] Italian / Campania Case Study, p. 43.

- that there are positive contributions of Structural Fund support to patterns of cooperation and capacities of regional or national capacities for strategic development planning,
- but that the relation between such contributions and the implementation of the Lisbon Strategy at regional and national level is indirect at best.

The second point is addressed in a subsequent section. As for the first point, it can be illustrated with quotes from a number of the case studies:

“In general, the Structural Funds are estimated to have a very positive effect on the co-operation between the national and regional administrations in Austria – as well as between institutions at the same level of administration or between different provinces. All in all, the general framework of the structural funds has led to an improvement of the Austrian administration. Especially, collaborations which before Austria’s accession to the EU only existed at the personal level have been institutionalised”.[165]

“All the interviewed persons in Satakunta agreed that the Finnish membership in the European Union and the start of the Structural Funds programming has clearly increased the level of the strategic thinking and planning in Satakunta.”[166]

In Greece, “[i]t is a common belief of the interviewed persons that the planning and the implementation of the Structural Funds' co-financed Programmes have played a significant role towards the professionalism of the Public Administration of the country and the upgrade of its capacity for strategic thinking and planning”.[167]

In Denmark, “[w]hen work initially was started with developing the regional SWOT at Bornholm, a number of actors were included in the process – regional administrators, representatives from local industries, social partners, as well as government representatives. This group has continued working together and forms the backbone in the regional business council. In itself, this secures that Structural Fund programmes are not operating in a vacuum, but are closely integrated with a long-term regional development plan”.[168]

In the Swedish case, the Regional Growth Programmes, which must be developed by all regions, have facilitated the planning and implementation of the Structural Funds and the Community Initiatives. Since the relevant regional actors are gathered in a regional partnership in an institutionalised way, it is possible to grasp the entire area of regional growth policies and to see how these are interconnected. In particular, the understanding of which actors are responsible for which areas and how these areas are linked together has

[165] Austrian / Niederösterreich Case Study, p. 27.
[166] Finnish / Satakunta Case Study, p. 33.
[167] Greek CSF Case Study, p. 40.
[168] Danish / Bornholm Case Study, p. 34.

increased. As a consequence of the increased cooperation, there is also an increased openness between different actors, which further facilitates the overview of the regional actions and policies.[169]

The German case of Sachsen-Anhalt concludes that "the Structural Funds programmes probably also contributed to strengthening the capacity for strategic thinking and planning. Especially, the coherent approach established for formulating a regional development strategy under a central organisation received a positive assessment by different stakeholders. The development and operation of the Structural Funds programs has also contributed to a professionalisation of the public service. Through this, modern administrative structures are being promoted, obsolete bureaucratic procedures scrutinised, and the administration is forced to apply coherent standards".[170]

The North Portugal case considers that "the Structural Funds have been a significant instrument for improving the strategic discussion of the North regional development strategy. The availability of the financial support of the Structural funds enhanced the involvement of regional actors in the development of relevant common frames and shared understandings".[171]

The Western Scotland Case study does not identify positive process effects as regards professionalisation of the civil service. However, Structural Fund support has been associated with a positive development of regional cooperation and partnership: "One of the successes of the 1st round has been the coming together of a number of partners and organisations who would not have normally considered working together. This has led to further cooperation between actors in the EQUAL programme."[172]

6.6. Do Different Approaches to Lisbon Matter for SF Contributions?

In earlier sections of this report we presented the hypothesis that each Member State's approach to the Lisbon Strategy would be of significance for the way in which the Structural Funds can contribute to the implementation of the Strategy. This hypothesis can be elaborated in the form of several hypothetical statements which formed one of the bases for the development of the present study's analytical and operational evaluation framework. For this reason it is relevant to assess their empirical fruitfulness:

- If regional authorities have been assigned to implement certain activities or measures in relation to the overall implementation of the Lisbon Strategy, or if different operational elements of the Lisbon Strategy are part of the regional jurisdiction, this is likely to influence positively the conditions for

[169] Swedish / Norra Norrland Case Study, p. 25.
[170] German / Sachsen-Anhalt Case Study, p. 44.
[171] Portugal / North Portugal Case Study, p. 37.
[172] UK / Western Scotland Case Study, p. 33.

Structural Funds' contributions to Lisbon. This is the case since the Structural Funds programmes operate predominately at the regional level.

- It may improve the Structural Funds’ conditions for contribution to the Lisbon Strategy if implementation structures become coordinated or indeed move towards integration. If the relevant aspects of the Lisbon Strategy and the Structural Funds programmes of the region in question form elements of an overall coherent national or regional development strategy, this provides for the possibility of extensive Structural Funds contributions to the Lisbon Strategy at regional level.

- The more the partnership principle has been employed in the implementation of different activities or measures in relation to the Lisbon Strategy, the better the conditions for the Structural Funds' contributing to the realisation of the strategy. This is the case since the Structural Funds' interventions rely extensively on partnership principles.

- Regional administrative and managerial capacity: Regional bodies involved in the implementation of the Lisbon Strategy must have sufficient capacities at their disposal. If this is the case, it will affect positively the possibilities for effective implementation of activities, policies, and measures in relation to the Lisbon Strategy, just as it can be expected to affect positively the possibilities for a Structural Fund contribution to the Lisbon Strategy. Regional agencies may then have the possibility of actively incorporating SF programmes into their planning and implementation.

Hypotheses Only of Limited Empirical Relevance

How relevant are these hypotheses in the light of the case study findings? As regards the relation between the Lisbon Strategy and the Structural Funds, it is a general empirical finding that formal integration is very limited. The often rather high congruence of objectives results from a general overlap between important political objectives in the Member States, not for instance from any deliberate attempt to redirect the Structural Funds towards the Lisbon Objectives or integrate the two in other ways. Furthermore, at the level of the Member States, it is generally problematic to speak of “the implementation of the Lisbon Strategy” as the operationalisation and subsequent “roll out” of a series of coherent and interrelated activities and reforms at central, regional, and local level.

These findings imply that the hypotheses above are only of limited empirical relevance. This is so since the assumptions upon which they rely have turned out to be empirically relevant to only a limited extent: The hypotheses above rest precisely on the assumption that the process of Lisbon Strategy implementation at the Member State level could to some extent be described as the “roll out” on different levels and in different sectors of an interrelated and coherent set of activities.

Reality seems to be far removed from this situation. There are significant differences between the Member States, but rather being seen as a coherent and operational strategy for reform, the Lisbon Strategy is - from the Member States' perspective - better described as a set of political objectives that are considered relevant in some contexts but not in others and which serve to focus discussion and attention in particular directions and maintain the saliency of specific issues.

Moreover, it is clear that the Lisbon Strategy must compete for political attention and that in many Member States it is not considered a very salient issue. The general level of information and knowledge about the Strategy is limited as soon as we move beyond the central ministerial representatives who are involved in the processes of the Open Method of Coordination and other activities that are directly related to the Strategy.

- As regards the significance of regional involvement in the Lisbon Strategy, there are examples of a regional role in the implementation of activities that are related to the Lisbon Strategy, most significantly in Finland, Austria, and in the UK/Scotland. This is the case with respect to the National Action Plans for Employment and in connection with initiatives for ICT development and the promotion of broadband access. In addition, regions are active in a number of policy fields that are relevant to the Lisbon Strategy, but where policies have little or no relation to the Strategy. However, there is no evidence that a regional role in connection with the implementation of the Lisbon Strategy's priorities is related to an active adaptation of the Structural Funds to these ends. The priorities of the Structural Funds are determined by assessments of regional investment and development needs, and sometimes assessments of other concerns. A regional role in the implementation of activities and reforms directly related to the Lisbon Strategy does not appear significant for the role of the Structural Funds.

- As regards the second hypothesis, it holds that the Structural Funds' conditions for a contribution to the Lisbon Strategy are improved if implementation structures for the two approaches become coordinated or indeed move towards integration. There is insufficient evidence to falsify or verify this hypothesis, due to the fact that there is no evidence of a formal coordination or integration of implementation structures for the two approaches. It is true that in Greece, the Structural Funds are considered a major instrument for realising the Lisbon Strategy, but even in Greece the mechanisms of Open Coordination and the other structures in place in connection with the Lisbon Strategy are quite separate from the structures for implementing Structural Fund support.

- The third thesis holds that the higher the degree to which the partnership principle has been employed in the implementation of different activities or measures in relation to the Lisbon Strategy, the better the conditions for the Structural Funds' contributing to the realisation of the strategy. However, there is no evidence that this approach has affected the operation of the

Structural Funds in the Member States concerned in the direction of increasing the influence of the Lisbon Strategy on the Structural Funds.

- The final thesis holds that regional bodies involved in the implementation of the Lisbon Strategy must have sufficient capacities at their disposal. If this is the case, it will affect positively the possibilities for effective implementation of activities, policies, and measures, in relation to the Lisbon Strategy. The empirical relevance of this thesis has turned out to be small, as regional bodies are only very rarely directly involved in the implementation of the Lisbon Strategy. There is therefore no evidence which can either falsify or verify the thesis.

The Possible Significance of a Strategic Approach to Economic Development

What, if anything, can then be said about the relation between the approach to the Lisbon Strategy in the Member States and the contribution of the Structural Funds? At least one significant point can be made on the basis of the case studies: A strategic approach to national economic development appears to affect the status and significance of the Lisbon Strategy, and the Structural Funds would seem to be associated with the development of a strategic approach in several respects.

- The relatively positive “take up” of the Lisbon Strategy in Finland and Austria is associated with a general acknowledgement of the significance of a strategic approach to economic development. The same may to some extent be said for Ireland.

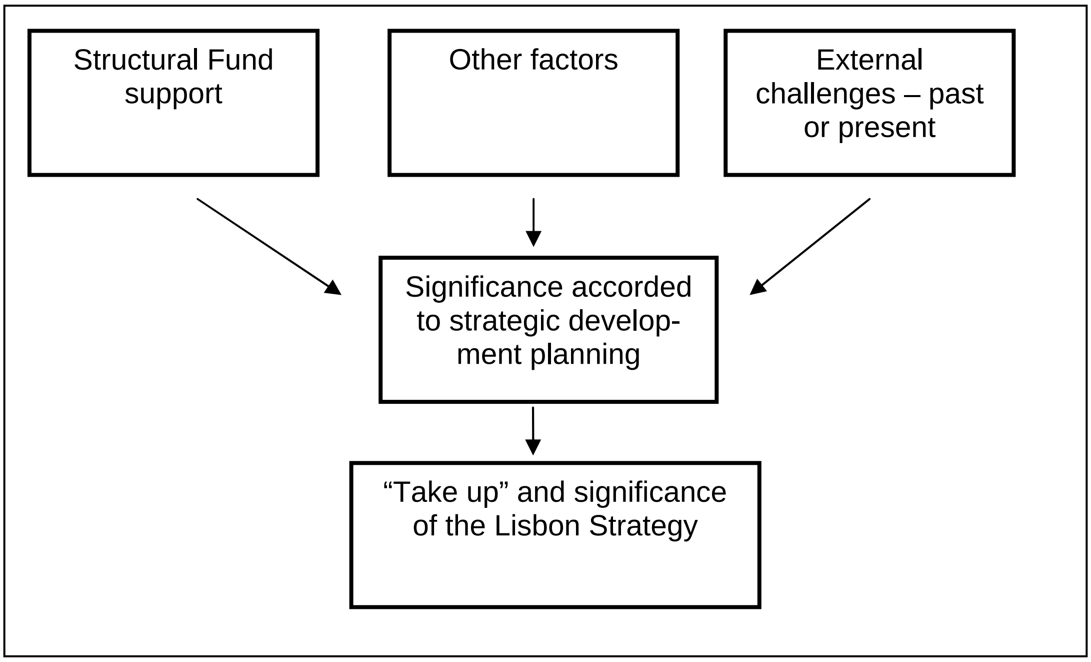
- At the same time, Structural Fund support has to a high degree been associated with the development of national or regional strategic development plans in these Member States and with an increasing appreciation of the need for a strategic approach. Integration of Structural Fund support with the overall national economic development strategy has been completed in Ireland, in the form of the National Development Plan. In Austria, there is an agreement on the need for a strategic approach to development, and Structural Fund support is seen to have supported this approach to regional development.[173] In Finland, there is agreement that both the Finnish membership in the European Union and the start of the Structural Funds programming has clearly increased the level of the strategic thinking and planning at the regional level.[174]

Evidently, on the basis of this scant evidence we cannot formulate any claims about causal relations. However, we can suggest that there may under certain circumstances be a relationship between Structural Fund support, the significance accorded to strategic development planning, and the “take up” and significance of the Lisbon Strategy. To the extent this is the case, it is not the status and significance of the Lisbon Strategy that affects the operation and

[173] Austrian / Niederösterreich Case Study, p. 44.
[174] Finnish / Satakunta Case Study, p. 44.

contributions of the Structural Funds to the Strategy, as the above hypotheses hold.

Figure 6.1. A Revised Hypothesis on the Relation Between the Structural Funds and the Lisbon Strategy



Rather, the Structural Funds may – presumably along with several other factors - contribute to the status of the Lisbon Strategy, namely as a factor which facilitates a strategic planning approach. This possible relation would seem to increase in likelihood as the size of Structural Fund support increases, and it would also seem likely that the relation is highly conditional upon other factors. In Chapter 5 we thus highlighted the existence of significant internal or external challenges as a facilitating factor for the "take up" of the Lisbon Strategy. Figure 6.1 illustrates this hypothesis in a graphical form.

6.7. Conclusions

Are the Structural Funds contributing to the Lisbon Strategy? If yes to what extent and in which ways?

The Structural Funds Contribute Significantly to Relevant Lisbon Objectives

The answer to the first question is yes. In relation to the relevant Lisbon Strategy objectives, our case studies point to the fact that the Structural Fund programmes provide an important impetus at the regional and CSF level to Lisbon Strategy objectives such as investment in human capital/ human resource development, investment in business development (entrepreneurship and enterprises' competitiveness), investment in research and development, investment with a view to sustainable development and environmental protection, and investment targeting increased employment of specific groups. There are also significant contributions in the fields of social inclusion and information infrastructure development, even if the relative significance of contributions in these fields is smaller.

In a number of instances, we have been able to identify developments in the Lisbon Strategy's Structural Indicators which are fully in line with significant Structural Fund measures and priorities (general educational attainment levels, patent applications, and science and technology graduates in Portugal; reduction in the proportion of early school leavers, labour productivity growth, and private investment growth in Greece; general educational attainment level and lifelong learning in Ireland).

This general conclusion is in line with a recent Commission review of the results of the mid-term evaluations of the Objective 1 and 2 programmes (Commission 2004e). Here it is concluded that programme implementation contributes to a knowledge-based economy (human capital, R&D and ICT development), social inclusion, and environment and sustainable development.[175]

Box 6.2. Relevant Impacts and Effects of Structural Fund Support in Satakunta

In the **Satakunta** region in Finland, the Objective 2 programme contains a number of different measures which directly or indirectly contribute to employment generation. The region has taken a holistic approach in the design of the programme, and even though the program measures are oriented towards several themes that are specifically relevant for the Lisbon Strategy, they all share the common goal of contributing to employment.

This is reflected in the fact that success indicators are jobs created, job-loss prevented, and new companies established. These indicators are used regardless whether projects are funded under a priority focusing on R&D or focus more directly on employment for instance via support to human capital investment.

Even though the programme is only midway in implementation, it has yielded significant results. In measure 1.1, which focuses on assistance to improve business competitiveness, business co-operation, and internationalisation, support has been provided for the establishment of 76 new firms, and 773 jobs have been created and/or job-loss prevented. Measure 1.2 focuses on business support and networking. Current results of this support have been the creation of 3 new companies and 58 new jobs/job-loss prevented.

In total, the Objective 2 programme in the Satakunta region had at the time of the mid-term evaluation produced 160 new companies and produced or maintained more than 1.500 jobs, and 4.000 people had participated in training activities. Total Community Objective 2 funding for the period 2000-2006 amounts to € 80 million.

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[175] This report also defines support to transport projects as a contribution to the Lisbon Strategy.

The Extent of the Structural Funds' Contribution to the Lisbon Strategy

To what extent are the Structural Fund programmes contributing to the Lisbon Strategy? Our answer to this question relies on a calculation of congruence share, defined as the share of Community funds in the Structural Fund programmes that is allocated to priorities and measures falling within the Lisbon Strategy's main priorities. Based on the data from the studied CSF areas and case study regions, we conclude that there is generally a considerable degree of congruence, but that congruence varies with the type of region. Congruence ranges from a low of 18 per cent in the region of Attica to a high of 85 per cent in Satakunta, Finland. Congruence is generally lower for the CSF/Objective 1 countries and areas than for the Objective 2 regions.

Our explanation for these differences points to differences in regional investment needs. With the exception of information technology infrastructure and investment directly aimed at sustainable development targets that are in line with the Lisbon Strategy, physical infrastructure investment has not been included in the calculation of approximate congruence degrees. In the regions and areas lagging the most behind, Structural Fund support is to a greater extent allocated to this type of investment.

Our findings thus highlight the significance of diversities between the studied areas and regions. The differences in the profile of Structural Fund support are seen to reflect a diversity of needs and also a diversity of perceived returns on different types of investment. Relatively more prosperous regions represent investment needs that are in closer alignment with the Lisbon Strategy's priorities and objectives. Relatively less prosperous regions have investment needs that are not to the same extent reflected in the Strategy.

This observation is relevant in connection with a discussion of ways to increase the synergies and complementarities between the Structural Funds and the Lisbon Strategy. As one possibility, complementarities between the Lisbon Strategy and the Structural Funds could be increased in the form of a closer alignment of Structural Fund support to the investment priorities of the Lisbon Strategy. This chapter has highlighted that such a decision would seem to be in conflict with the investment needs of the Union's poorer regions, for which reason it is not unlikely that the overall growth effects of such a move would be negative in these regions. It could therefore be argued that a move in this direction would be in conflict with both the spirit of the cohesion principle and with the growth objective of the Structural Funds.

Little Adaptation of Structural Fund Support to the Lisbon Strategy

Our analysis has shown that the Structural Funds have not in general been influenced by the Lisbon Strategy, for instance in connection with the ongoing mid-term revisions. With the exception of Italy and in a more indirect manner Germany, there are no examples that a redirection of Structural Fund support during the present programming period has reflected the priorities of the Lisbon Strategy.

Structural Fund Support Reflect Regional Needs and Strategies

This result in our assessment follows from several factors. First there is the fact that in most areas and regions there is already a considerable congruence between the priorities of Structural Fund support and the Lisbon Strategy priorities. Second, there is the fact that Structural Fund programming is a highly structured process with limited flexibility within current Regulations for sudden significant changes in priorities and allocations. Thirdly, the limited degree of adaptation of the Structural Funds to the Lisbon Strategy would also seem to reflect the fundamental observation that Structural Fund support reflects regional needs, strengths, weaknesses, and strategies. The case studies generally conclude that Structural Fund support is to a great extent in line with regional development needs and priorities.[176] A questionnaire subsequently carried out among case study researchers confirms this conclusion.[177] A specific analysis for the CSF Member States also suggest that Structural Fund support in areas of direct relevance to the specific Lisbon objectives to a great extent seem to reflect structural strengths and weaknesses as reflected in the Lisbon Strategy's structural indicators. For these reasons it would require very strong arguments to introduce significant changes. The Lisbon Strategy does not appear to have provided such arguments.

Barriers for Adaptation and Contributions

We have highlighted an additional number of barriers for the adaptation and contribution of the Structural Funds to the Lisbon Strategy. First, there is a limited strategic coordination at national or federal level of activities and policies linked to the Lisbon Strategy. For this reason, the Structural Funds are rarely considered as an integral part of the Strategy and as an instrument which could be used to facilitate reform.

A clearer focus on the Lisbon Strategy's priorities would also in many cases imply a shift to a different type of projects: from large infrastructure projects to more and smaller human capital and enterprise development projects. This poses a significant administrative challenge, as more resources are required for the processing of project applications, project monitoring, etc.

Finally, several cases point to the fact that current Structural Fund Regulations and Guidelines in some respects stand in the way of a more efficient contribution to the Lisbon Strategy priorities. The existing financial control mechanisms of the European Commission are seen to bias support against innovative and risky projects. Similarly, the N+2 Regulation favours projects of relatively short

[176] The only deviations from this conclusion are found the cases of Portugal and Greece, where the continued relevance of the focus on physical intrastructure investment is questionned and where an increased focus on human capital development and other "soft" fields of investment is recommended for the next programming period, cf. Portuguese CSF Case Study pp. 42-46 and the Greek CSF Case Study, p. 47.

[177] For all the studied regions (CSF regions or Member States have not been included), case study researchers indicate that there is strong and well-developed strategy for regional development which is based on contributions from several regional actors and is linked to other regional and/or national strategies for development in the region. For all studied regions, case study researchers also indicate that the regional development plan is used to either a great or very great extent for formulating priorities in the various Structural Funds programmes operating in each region, the exception being Sachsen-Anhalt, where the regional development plan is only to some extent adopted for formulating Structural Fund priorities.

duration or those which can be planned easily. Support to demanding and difficult Research and Development projects is not facilitated by this.

Process Contributions? Yes, but

The case studies generally point to positive effects of Structural Fund support on factors such as professional administrative capacities, cooperation patterns between different levels of administration, the involvement of social partners in programming, and capacities for regional or national strategic development planning.

However, the relation between such process effects of Structural Fund support and the implementation of the Lisbon Strategy at regional and national level is very indirect at best. First of all, this is due to the fact that regional bodies are only very rarely directly involved in the implementation of the Lisbon Strategy, for which reason regional capacities for strategic planning, etc., are not brought to bear on its implementation.

In this connection, our case studies cast doubts on the concept of "Lisbon Strategy implementation". From the perspective of the Member States, the Lisbon Strategy is better described as a set of political objectives that are considered relevant in some contexts but not in others, and which serve to focus discussion and attention in particular directions and maintain the salience of specific issues. It is not approached as a coherent and operational strategy for reform that needs to be "rolled out" at different administrative levels and across different sectors.

Structural Funds May Facilitate Strategic Development Approach

Based on the case studies we do, however, formulate a hypothesis of a relation between Structural Fund support and the significance of the Lisbon Strategy; this hypothesis relies upon the significance of the process effects. There is thus some evidence that Structural Fund support along with other factors is related to the significance accorded to strategic development planning at national or regional level, and that the significance accorded to strategic development planning is in turn positively associated with the significance and "take up" of the Lisbon Strategy in the Member States. This argument only has the status of a conditioned hypothesis, however, since evidence is scant.

Section III: Conclusions and Perspectives

7. Conclusions

The current study has three overall objectives:

1. Assessing the contribution of the current generation of Structural Funds programmes to the Lisbon Strategy.
2. Identifying ways in which synergies and complementarities between the Structural Funds and the Lisbon Strategy can be better exploited.
3. Assessing how the Lisbon Strategy can be implemented at the regional level and how regional policy can contribute to achieving the Lisbon Strategy's objectives.

In order to meet these objectives, we have studied the differences and similarities between the Structural Funds and the Lisbon Strategy as regards objectives, legal status, governance structures, and economic rationales and instruments. On the basis of case studies, we have further studied the status and significance of the Lisbon Strategy in a number of Member States and the processes related to the implementation of the Strategy. Finally, on the basis of case studies we have addressed the question of the contributions of the current generation of Structural Fund programmes to the relevant Lisbon Strategy objectives.

7.1. Implementation of the Lisbon Strategy at National and Regional Level

In assessing how the Lisbon Strategy can be implemented at the regional level and how regional policy can contribute to achieving the Lisbon Strategy's objectives, our findings as regards the present status and significance of the Lisbon Strategy in the Member States must first be considered. Second, we consider our analysis of the economic rationales of the Lisbon Strategy and the Structural Funds as well as the related information on the character and effects of Structural Fund support to regional development in the EU.

The Nature of Lisbon Strategy Implementation

Our case studies indicate that in the Member States, the Lisbon Strategy is not unimportant, but on the other hand is not considered a single-standing strategy which is to be implemented in a coherent and systematic way via the definition in the national context of strategic targets, the formulation of national development plans and the roll-out of subsequent legislative and budgetary reform at different administrative levels, etc. From the perspective of the Member States, the Lisbon Strategy is generally best described as a set of political objectives that are considered relevant in some contexts but not in others, and which serve to focus discussion and attention in particular directions and maintain the salience of specific issues.

As such, the Lisbon Strategy has had both a direct impact in a number of Member States and a broader significance that should not be underestimated. As regards those aspects of the Lisbon Strategy that are considered here,[178] the direct impact primarily relates to the increased attention devoted to Research and Development in the Member States and to IT-infrasturcuture activities and the promotion of skills for the information society. As for the broader and more indirect significance of the Strategy, there are a number of examples of the Lisbon Strategy interacting in a productive manner with the existing political agenda of the Member States and serving to enhance the strategic focus in various respects, both at a cross-sectoral, cross-ministerial level and within specific sectors, most importantly as regards labour market policy, educationn and social policy.

Implications for the Role of the Regions

This picture of the character of Lisbon Strategy implementation has important implications for the role of the regional level and for the actual and potential role of the Structural Funds. Since it is misleading to speak of the implementation of the Lisbon Strategy as a "roll out " of a coherent set of activities and reforms at different levels, it follows that the role of the regional level has been very limited:

- Generally, the regions do not involve themselves in policy reforms under the heading of the Lisbon Strategy: Nor are they – with the exception of the formal role of provinces or federal states in the federally organised Member States - formally involved in the implementation of reforms at the national level which are carried out as a direct response to the Lisbon Strategy. Evidently, a range of the Lisbon Strategy's objectives are actively pursued at the regional level, but generally there is no reference to the Strategy in this respect.
- Apart from the integration of European Social Fund support into the descriptions and priorities of the National Action Plans for Employment, there is no evidence of a formal coordination or integration of the implementation structures of the Lisbon Strategy and those of the Structural Funds. Activities directly related to the Lisbon Strategy and activities related to the implementation of Structural Fund support are located in entirely separate administrative structures.

If the objective is to assess how the Lisbon Strategy can be implemented at the regional level and how regional policy can contribute to this end, the implication is that it is appropriate to focus on the *objectives* of the Lisbon Strategy and the role of the regions and regional policy in this respect, but that the concept of the

[178] Lisbon Strategy objectives relating to the adoption of new legislation or regulation at the Member State or the Union level are not included. As a consequence, the so-called Cardiff process on the restructuring of product and capital markets is not considered. Neither is the theme of adequte and sustainable pensions or reform of the formal education system, cf. also Annex 1.

implementation of the Strategy is largely irrelevant and potentially misleading. The regional level cannot be expected to contribute to an implementation of the Lisbon Strategy, conceived as a systematic "roll out" of interrelated activities and reforms that are directly related to the relevant European Council conclusions, since such an implementation process does not exist. The *objectives* of the Lisbon Strategy, on the other hand, remain highly relevant also for the regions.

The key question is therefore how regional policy and Structural Fund support can contribute most efficiently to the achievement of the relevant objectives of the Lisbon Strategy.

Answers to this question are, in turn, closely related to

- the present character of Structural Fund interventions in the different programmes, and
- the efficiency of these interventions in contributing to the most important overall objective of the Lisbon Strategy: Increased economic growth.

The Growth Contribution of SF Support and the Trade-Off Growth-Equity

As for the present character of Structural Fund interventions, a key question is whether there is a trade-off between overall growth and regional equity.

There are theoretical arguments for the case that cohesion policy is also a policy for growth: By reducing regional disparities, regional development support can generate positive growth effects in several different ways. There is theoretical and empirical evidence suggesting that permanently higher unemployment rates in specific regions are associated with lower labour productivity and investment levels and necessitate unproductive government spending. Higher employment rates in such regions mean an increase in labour input and higher total output. Bringing industrial and commercial land available for economic development into productive use in disadvantaged regions also means an increase in factor input, with positive output effects. Regional growth disparities can inflict severe economic costs on rapidly growing urban areas.

Our review of the economic rationale of structural funds in Chapter 4 shows that the growth strategy of the Structural Funds is a regionalised version of the current consensus on key factors for economic growth. It operates at the regional level, taking into account the divergent character of regional development potentials and thus uncertainty. The strategy of the Funds focuses on the provision of subsidies to investment in particular types of public goods that are seen as necessary preconditions for economic growth or generate other positive externalities: basic infrastructure networks, a labour force with appropriate basic education and skills levels, and support for research and development. Public investment subsidies can directly contribute to such essential framework conditions by correcting for the underinvestment which would result if investment decisions were to be made by private actors.

Therefore, there are good arguments that the contribution of Structural Funds to growth and development at the regional level leads to aggregate economic growth at the Member State or Union level. Indeed, our case studies have generated information on the growth and employment effects of Structural Fund support in a number of fields that are integral to the Lisbon Strategy's priorities. Similarly, on the basis of macroeconomic simulations (often using HERMIN models), estimates have been developed for the positive growth contribution of the bigger objective 1 interventions (Commission 2004c: 183-184).[179]

However, there is empirical evidence suggesting a trade-off between regional equity and aggregate efficiency, especially in early stages of national economic catching-up processes. In the Cohesion countries, a positive correlation has been found between GDP growth and regional disparities, with Ireland and Spain providing evidence of growth-pole effects where growth is concentrated in specific regions (Quah 1999, Davies and Hallet 2002). For Spain, it has been estimated that an extremely redistributive policy of public investment would have reduced regional disparities by almost 14 percent compared to the baseline, at the expense of a 1,6 per cent decrease in national GDP. The alternative extreme of a policy oriented solely towards efficiency, and allocating public investment according to profitability, would have increased GDP by 1,6 per cent and regional disparities by 18 per cent (Fuente 1996).

Against this background it can be argued that Structural Fund support actually depresses overall growth rates in the EU by diverting investment from areas or fields with a relatively higher rate of return to areas or fields with relatively lower social rates of return. Empirical evidence is insufficient, however, for answering the question of whether and to what extent this is indeed the case. The scale of the trade-off between growth and equity remains an open question.

Even if this is so, the significance of the dilemma between overall growth and regional disparity can be reduced if the growth effects of investment support can be increased by greater efficiency of given structural funds interventions. This is so even if the location of investment is not the optimal one in terms of maximising overall growth.

Possibilities of Increasing the Growth Contribution of Structural Fund Support

In this context, a number of possibilities can be considered for increasing the aggregate growth effects of Structural Fund support. As our analysis of the Treaty base of the Lisbon Strategy and the Structural Funds has made clear, however, the cohesion principle must be accepted as the framework within which such possibilities are considered: The cohesion principle has a firmer legal basis than the Lisbon Strategy, and for this reason we have not considered realistic such possibilities that would require a fundamental revision of it.

[179] The Hermin macroeconomic model was constructed at the beginning of the 1990s and has since been largely used to estimate the effect of Community support policy.

Within this framework, empirical and theoretical evidence presented in this study points to several possibilities for increasing the growth effects of Structural Fund support, cf. section 7.3 below.

Increasing the Significance and Utility of the Lisbon Strategy at the Regional Level

The implementation of the Lisbon Strategy as a coherent roll-out of reform activities does not exist in the Member States. Nevertheless, since the Lisbon Strategy reflects real concerns for competitiveness and growth in the light of globalisation and technological change, it remains relevant to seek to increase the awareness of the Lisbon Strategy's objectives at the regional level.

More actions could be taken to raise the awareness and consciousness of the Lisbon Strategy among the regions. Relevant regional actors could be encouraged to take into consideration the overall objectives of the Strategy as well as the relevance of the specific Lisbon Strategy objectives and targets in the regional context, in strategic development and programming processes.

Furthermore, it could be considered to adapt the Lisbon Strategy so as to improve its potential utility for the initiation and implementation of strategic reform processes at the level of both the Member States and the regions. The potential utility and impact of the Lisbon Strategy at the regional level could be increased if an adaptation of the Lisbon Strategy and its objectives to specific regional circumstances was promoted more actively.

7.2. The Contribution of Current Structural Funds Programmes

The current generation of the Structural Fund programmes already contributes to the achievement of significant Lisbon Strategy objectives.

Objectives are Highly Congruent

Our analysis of the relation between the global objectives of the Lisbon Strategy and the Objectives of the Structural Funds indicates that there is a considerable congruence. The two approaches share common overall objectives of economic growth, high employment, and low unemployment. The Structural Funds and the Lisbon Strategy share the objective that growth and development should not be achieved at the cost of environmental degradation; economic development should be environmentally sustainable.

Social inclusion is also an objective that is common to Structural Funds and the Lisbon Strategy. The Lisbon Strategy aims for the reduction of poverty and for equal opportunities for being active in the labour market. Gender gaps and segregation in employment should be reduced . Social protection systems should be reformed so as to be financially sustainable in the medium and long term.

The Structural Funds' emphasis is on equal opportunities between men and women and – particularly in connection with the Community Initiative EQUAL

– on the elimination of discrimination in the labour market on the grounds of gender, race, ethnic origin, disability, or age. The objective of low unemployment, common for the Lisbon Strategy and the Structural Funds, also concerns social inclusion.

The various specific objectives of the Lisbon Strategy and the Structural Funds also reveal a number of complementarities and congruences: There is a high degree of complementarity as regards virtually all of those themes of the Lisbon Strategy which require the allocation of funds for investment: employment, IT infrastructure, research and development, human capital/HRD, business development, social inclusion, and sustainable development.

Significant Congruence in Structural Fund Expenditure

This congruence of objectives is to a great extent reflected in Structural Fund expenditure. Our analysis of data from the case study regions suggests that, measured in terms of the share of Structural Fund support allocated to fields which are directly relevant for the Lisbon Strategy's objectives and targets, congruence is frequently above 50 per cent. However, there are clear differences between different types of regions and areas. Congruence is significantly higher in relatively more prosperous regions, ranging from about 67 per cent to about 85 per cent, and it is significantly lower in the relatively less prosperous areas and regions, ranging from approximately 18 per cent to approximately 33 per cent.

These differences largely reflect the relative significance of Structural Fund support to investment in basic physical infrastructure; transport infrastructure, energy infrastructure, and basic environmental protection infrastructure such as waste management systems. Such investment is only indirectly relevant for the Lisbon Strategy's objectives.

The differences in the relative significance of basic physical infrastructure investment are, in turn, to a large extent explained by the different investment needs of the various regions: There is a more significant need for basic physical infrastructure investment in the least prosperous regions and areas than in relatively more prosperous regions. In contrast, we do not find that differences between the most important programmes in the studied regions, Objective 1 and Objective 2, can explain the differences in congruence.

Output Contributions and Impacts

In terms of specific fields of investment, our case studies suggest that the Structural Funds contribute to the achievement Lisbon Strategy objectives in the fields of

- human capital/ human resource development,
- business development (entrepreneurship and enterprises' competitiveness),
- research and development,
- sustainable environmental development and environmental protection, and

- measures targeted towards increasing the employment of specific groups.

There are also significant (even if relatively less significant) contributions in the fields of social inclusion and information infrastructure development.

Table 7.1: Prioritised Structural Fund Support, its Relevance and Results in three CSF States, Assessed on the Basis of the Structural Indicators of the Lisbon Strategy.

	Prioritised SF Support (and share of total SF support)	Relevance of Prioritised Support[180]	Relevant Results (Lisbon Indicators)
Portugal	1) Human capital (9) 2) Business developm. (9) 3) R & D (1)	Ad 1) High Ad 2) High Ad 3) High	Ad 1) Educational attainment Ad 3) Share of science and tech. graduates
Greece	1) Human cap.+soc.inclus. (15) 2) Sustain. development (11) 3) Business development (8)	Ad 1) Low/medium Ad 2) High Ad 3) High	Ad 1) Early school leavers Ad 1) Educational attainment Ad 3) Labour productivity Ad 3) Capital formation
Ireland	1) Sustain. development (11) 2) Human capital (10) 3) Business development (8)	Ad 1) High Ad 2) Medium Ad 3) Medium	Ad 2) Educational attainment Ad 2) Lifelong learning

As regards impacts, we have been able to identify developments in the Lisbon Strategy's Structural Indicators in a number of instances which are fully in line with significant Structural Fund measures and priorities. This is the case for the three CSF Member States Portugal, Greece, and Ireland. The situation has improved significantly as regards general educational attainment levels, patent applications, and science and technology graduates in Portugal. In Greece, there is a notable reduction in the proportion of early school leavers, and labour productivity and private investment growth have increased. In Ireland, general educational attainment levels and the lifelong learning situation have improved. All these developments are in line with significant priorities in Structural Fund support to the three countries.

Furthermore, based on information provided in the structural indicators of the Lisbon Strategy as well as in the CSF Case Studies, the overall prioritisation of Structural Fund support in the fields that are directly relevant to the Lisbon Strategy is well justified.

Positive Process Effects of Structural Fund Support

Congruence of objectives and in implementation suggests that the Structural Funds contribute to the achievement of a number of the Lisbon Strategy's objectives in terms of *output effects*.

In our case studies, we have also recorded a number of positive *process effects:* effects on the professional capacities of the civil service, improved capacities for strategic planning, and positive effects of Structural Fund support on cooperation, partnership, and involvement. However, these process effects are first of all difficult to quantify; second, there is only little evidence that these effects have contributed to the achievement of the Lisbon Strategy's objectives

[180] The assessment of relevance is based on information contained in the Lisbon Strategy Structural Indicators and information provided in the CSF case studies.

or the significance of the Lisbon Strategy in the Member States or regions concerned. Positive process effect may, however, in some cases have contributed to the significance accorded to strategic development planning, and where this is the case it may in turn have had some bearing on the "take up" and significance of the Lisbon Strategy in the Member States. This statement should only be considered a preliminary hypothesis.

Fields of Difference and Non-Congruence

In the above, emphasis has been on the significance of congruent objectives and of congruence between Structural Fund support, measured as budget allocations, and the relevant Lisbon Strategy objectives. However, there are also fields of difference and non-congruence that must be highlighted:

Table 7.2. Fields of Difference and Non-Congruence

	Lisbon Strategy	Structural Funds
Spatial Dimension of Objectives	Insignificant	Very significant
Character of Objectives	Broad *and* operational	Broad
Formulation of Operational Objectives	Centralised	Decentralised
Governance Instruments	Weak	Strong
Significance of Physical Infrastructure	Low	High

The fundamental difference between the Lisbon Strategy and the Structural Funds consists of the significance of a spatial dimension in the priorities of the Structural Funds and the virtual absence of a spatial dimension in the Lisbon Strategy. Most of the significant Structural Funds (ERDF, EAGGF-Guidance, FIFG, the Cohesion Fund, plus the Community Initiatives Leader+ and Urban II) share an explicit spatial dimension to their objectives. Development is supported in specific Member States, regions, or spaces, defined either by relative poverty, low population densities, peripherality, or structural economic weaknesses. In contrast, the Lisbon Strategy is defined as a strategy for the Union as a whole and its objective is to lift the development of the European economy as such.

Lisbon Strategy objectives Structural Funds objectives differ in character. Whereas some of the Lisbon Strategy's objectives are frequently very operational, the Structural Fund's general objectives are broad and not operational, allowing for a decentralised process of operationalisation and strategic prioritisation.

The governance structures of the Lisbon Strategy and the Structural Funds differ. The Lisbon Strategy is to a great extent defined as a uniform *top down* strategy for the whole of the Union, even if it involves highly decentralised, voluntary implementation. The Structural Funds have stronger governance instruments at their disposal, but within this framework the programming process involves a regionalised *bottom-up* approach.

Finally, there are important differences as regards the prioritised investment fields. Most importantly, with the exception of the European Social Fund, the

Structural Funds support basic physical infrastructure investment, which is not significant in the Lisbon Strategy. The Structural Funds also open up possibilities for other kinds of development support (e.g. cultural heritage development, specific local types of production) which are not covered by the Lisbon Strategy.

These fields of difference and non-congruence are important when considering ways for increasing synergies and complementarities between the Structural Funds and the Lisbon Strategy.

7.3. Ways for Increasing Synergies and Complementarities

Against the background of the conclusions summarised above, how could the synergies and complementarities between the Lisbon Strategy and Structural Fund support be improved or better exploited? In the following, we discuss some possibilities and the risks connected to each of these possibilities, and put forward a number of policy recommendations.[181]

1. Adapting the Structural Funds to the Investment Priorities of the Lisbon Strategy

Hypothesis:
The complementarity between the Structural Funds and the Lisbon Strategy could be increased if the Lisbon Strategy's investment priorities were to take precedence over the existing priorities of the Structural Funds to a greater extent and hence were to push out some of the activities which are currently eligible for support.

If applied mechanically, this is in our judgement a risky strategy which at least indirectly may contradict the cohesion principle as well as the growth objectives of the Structural Funds, and which would conflict with the bottom-up governance structure of the Funds.

It is unlikely that the specific investment priorities in the Lisbon Strategy are the best strategy for every region in the Union. This is questionable from the point of view of economic theory and empirical evidence, considering that the Strategy's investment priorities apply to the whole of the Union and that the growth effects of investment in different fields are likely to depend on the context within which such investment is made. Our case studies have also pointed to significant differences in the investment needs of the various regions and to diverse output potentials of investment in different fields.

Most likely it would thus be directly harmful to convergence and cohesion if, in accordance with the Lisbon Strategy, the Structural Funds in the regions likely to

[181] All policy recommendations are directed to the European Commission and the EU Member States.

receive funding under the future Convergence Objective were to support not basic infrastructure development, but rather invest heavily in IT infrastructure, information society skills, and research and development. This conclusion gains special importance in the context of the EU enlargement in 2004.

Furthermore, some of the Lisbon Strategy's investment priorities are highly operational and thus do not take into account differences in regional investment and development needs.

Instead, the promotion of regional "modulations" of the Lisbon Strategy could be encouraged both for future Convergence and Competitiveness objectives: The potential utility and impact of the Lisbon Strategy at the regional level could be increased if an adaptation of the Lisbon Strategy's objectives to specific regional circumstances were promoted more actively as a possibility.

The development of a separate regional level implementation machinery for the Lisbon Strategy should be avoided, but regional authorities and other relevant bodies could be encouraged to incorporate more actively the overall objectives of the Strategy into their own strategic development programming (within or outside the formal programming system of Structural Fund support), considering the local and regional relevance of the Strategy's more specific targets and adapting them where relevant to local and regional needs and requirements.

Box 7.1 Policy Recommendations: Adapting the Structural Funds to the Investment Priorities of the Lisbon Strategy

1. Any mechanical and rigid adaptation of the priorities of the Structural Funds to the investment priorities of the Lisbon Strategy should be avoided. To some extent, the Lisbon Strategy represents a uniform investment strategy for the EU, but there is a need to take into account differences in regional investment and development needs.

2. The possibility of infrastructural investment should be maintained for the future Convergence Objective.

3. Regional "modulations" of the Lisbon Strategy should be encouraged. Regional authorities and other relevant bodies should be encouraged to incorporate more actively the overall objectives of the Lisbon Strategy into their own strategic development programming, adapting the Strategy's specific targets to local and regional needs.

2. Promoting the Implementation of the Lisbon Strategy Through a Specific Structural Fund Programme

Hypothesis:
More could be done to reflect and prioritise the objectives of the Lisbon Strategy in the regulations guiding the implementation of SF programmes, with a view to furthering <u>the implementation process</u> of the Lisbon Strategy outside the future Convergence Objective.

This is the strategy adopted by the Commission with the proposed new Objective 2-programme (the "Competitiveness and Employment Objective") for the programming period 2007-2013 (Commission 2004d). The proposed new Objective is dedicated to the overall objective of the Lisbon Strategy, increasing growth and competitiveness in the Union, and thus to strengthening the take-up and implementation of the Lisbon Strategy in the Member States.

The dedication of a specific Objective to enhance the implementation of the Lisbon Strategy can be justified with a "multiplier" argument:

- Development in the desired direction could be promoted via the provision of investment subsidies in fields such as innovation, institutional frameworks for fostering and disseminating innovation, and the promotion of the knowledge economy, across the Union's regions or in selected regions.
- Awareness, enhanced learning, and the exchange of best practices as regards strategies for promoting growth and competitiveness at the regional level could be furthered in this manner.
- As an ultimate result, this could stimulate policy development and reform as well as an enhanced strategic orientation in the Member States, in effect increasing the "take-up" of the Lisbon Strategy and its implementation as a package of necessary reforms.

There are, however, some drawbacks and risks to this approach. First, if the resources of the Objective do not target specific types of regions, implying a concentration of the available financial means, they are likely to be of relatively limited relevance in the regional and national contexts. For this reason there is a risk that any results generated from such support will be unable to significantly impact regional competitiveness and growth.

Second, if the goal of the Competitiveness and Employment Objective is to stimulate general policy development and a stronger strategic orientation in the Member States in relation to the overall Lisbon Strategy, there is a considerable risk of inefficient use of resources. Even if programme support were to be concentrated in selected types of regions, the link between support to regional growth and competitiveness and relevant policy changes and reforms at Member State level is a very uncertain link. It seems uncertain whether the implementation of the Lisbon Strategy, understood as a systematic roll-out of interrelated reforms with a view to the Lisbon Strategy's objectives, can be efficiently furthered by an investment support programme.

As mentioned in chapter 6, the hypothesis can be formulated on the basis of our data that Structural Fund support and Structural Fund programming is positively correlated to the significance of strategic development planning at national and regional level, and that this strategic orientation is, in turn, related to the "take-up" of the Lisbon Strategy in selected Member States.

This is, however, only a conditioned hypothesis resting on scant data. Moreover, even if the hypothesis holds true, there are a number of alternative and more direct ways to increase the take-up of the Lisbon Strategy, and these could be much more cost efficient than trying to do so via specific investment support programmes. Most importantly, the governance structures of the Lisbon Strategy could be adjusted, as we will discuss later.

Box 7.2 Policy Recommendations: Essential Preconditions if the Competitiveness and Employment Objective is to Facilitate Implementation of the Lisbon Strategy

1. *Linkage to national policies and programmes.* Provision of Competitiveness and Employment support should be conditional upon explicit and binding linkages to national strategies and policies and national policy development in relevant fields.

2. *Concentration - in selected regions and/or on fewer themes.* Financial support must be of a size which enables a significant economic impact in the specific context. Otherwise policy learning and political spill-over effects are unlikely. Concentration in selected regions appears as the most realistic possibility in this respect and should be ensured. Higher thematic concentration is also a possibility.

3. *Commitment to multiplication and mainstreaming.* A commitment should be established, on behalf of the Member State in question, to ensure multiplication and mainstreaming of results and experiences from the supported regions.

For increasing the likelihood that the Competitiveness and Employment Objective will be successful in furthering the implementation of the Lisbon Strategy, a number of preconditions and requirements must thus be met. Box 7.2 contains the evaluators' assessments and policy recommendations in this respect.

Linkages and conditionality: The Competitiveness and Employment Objective's effectiveness as an instrument for furthering reform and development in accordance with the Lisbon Strategy will increase to the extent that it is explicitly and directly tied to broader developments in the Member States. Several possibilities could be considered in this respect:

- Support could be directly linked with the implementation structures of the Lisbon Strategy. For instance, strategies for the utilisation of Competitiveness and Employment support could be integrated into <u>existing action plans</u> e.g. into the National Action Plans for employment. The Member States could be required to integrate Competitiveness and Employment support fully into their overall national employment strategies, and to demonstrate how they intend to facilitate the overall achievement of the objectives of the Action Plan.[182]
- Alternatively, the Member States could be required to incorporate support from the Competitiveness and Employment Objective into a broader <u>national strategic plan</u> for Lisbon Strategy implementation. We recommend the development of such a strategic implementation plan, cf. below, that consolidates national action plans, national reports on structural reforms, and other

[182] Structural Fund support from the European Social Fund is already considered in the current National Action Plans for Employment, reflecting the status of the ESF as an instrument for implementing the European Employment Strategy.

systematic national reporting in relation to the Lisbon Strategy's objectives, into a single framework of strategic policy formulation, monitoring, and evaluation.

- As the most far-reaching possibility, which could supplement the possibilities mentioned above, the release of funds from the Competitiveness and Employment Objective could be made conditional upon progress and reforms in specific policy fields relevant for the Lisbon Strategy, following negotiations between each Member State and the Commission.[183]

Concentration: In the present proposal of the Commission, all regions of the EU which are not eligible for support from the Convergence Objective (replacing the present Objective 1 programme) will be eligible for support from the proposed Competitiveness and Employment Objective. Since the resources for this Objective will be rather limited,[184] support will under present conditions be spread out thinly across a large number of regions. There is only a broad thematic concentration in the Objective, on "innovation and the knowledge economy", "environment and risk prevention", and "accessibility and communication services of general economic interest".

If the Competitiveness and Employment Objective is to have any measurable impact on the Lisbon Strategy's implementation, a higher degree of geographical and/or thematic concentration is necessary.

- The Member States could be required to identify a limited number of regions that are deemed particularly relevant for obtaining support in the framework of the Competitiveness and Employment Objective. The Member States could be required to demonstrate why the identified regions are particularly relevant in the context of implementing the Lisbon Strategy, and how support to the prioritised regions will be used to leverage economic and political development reaching beyond the regions in question.
- Similarly, and possibly in supplement to the above, it could be considered to require the Member States to propose a further thematic concentration of support from the Competitiveness and Employment Objective, taking the specific circumstances of the individual Member State into account and requiring each Member State to demonstrate why and how the proposed thematic concentration will facilitate the implementation of the Lisbon Strategy.
- The exercise of geographical and/or thematic concentration could be tied directly to the implementation structures of the Lisbon Strategy, for instance making decisions on concentration a part of the development of the proposed national strategic plan for Lisbon Strategy implementation.

Multiplication and mainstreaming: Provided that a higher degree of geographic and/or thematic concentration is achieved, it will be important to ensure the full

[183] A recommendation along these lines is found in Kok et al. (2004: 43), where it is proposed to investigate possibilities for introducing budgetary incentives to encourage Member State achievement of the Lisbon targets.
[184] In the proposal resources allocated for the Competitivness and Employment Objective amount to 18 per cent of total Structural Fund support and this figure is subject to negotations with the Member States.

utilisation in a broader context of experiences from the supported regions or the prioritised thematic fields. Only in this way can Structural Fund Support to selected regions or themes aspire to affect the development of the entire Member State in question in the direction of implementing the Lisbon Strategy.

- The Member States could be required to include in their thematic and/or geographical concentration exercise a strategy and an action plan for multiplication of results and for mainstreaming of experiences into general policy in relevant fields.
- Periodic reviews of the implementation of this strategy and action plan could be included in the external evaluations of support provided in the framework of the Competitiveness and Employment Objective.

3. Increasing the Growth Effects of Structural Fund Support

Hypothesis:
The focus on aggregate <u>growth effects</u> could be increased in Structural Fund programming. This implies an increased focus on a key objective of the Lisbon Strategy in Structural Fund support.

This possibility involves reforms of the Structural Funds with a view to increasing the growth effects of support.

Based on the theoretical and empirical literature which has been surveyed, as well as on evidence from the conducted case studies, the policy recommendations in this respect suggest a stronger focus in the Structural Fund programming on research, development, and innovation, more emphasis on the institutional prerequisites for economic growth, more direct support for relevant institutional development, stricter limits on support to individual enterprises above the SME threshold, more emphasis on systematic and solid cost-benefit analyses, reforms of implementation mechanisms in order to strengthen risk-taking and innovation, and increased research efforts with a view to focusing investment support more closely on regions and investment fields with the highest possible returns.

In addition, it is recommended to take action to increase the awareness and consciousness of the Lisbon Strategy at regional level

However, in this approach there are no attempts to use Structural Funds as an instrument for implementation processes in relation to the Lisbon Strategy within the Member States

This possibility is not seen to involve significant economic or administrative risks. It respects the cohesion principle and the regional diversity of investment and development needs. At the same time, it is in accordance with the most important global objective of the Lisbon Strategy: To enhance economic growth and dynamism across the Union. This approach is therefore reflected in the policy recommendations in box 7.3., concerning both the future Convergence and Competitiveness objectives.

Box 7.3 Policy Recommendations: Increasing the Growth Effects of Structural Fund Support

1. *More Emphasis on the Growth Objective in Structural Fund Support.* The growth objective of the Structural Funds should be given more weight in regional and CSF-level programming processes at the cost of other objectives. One way of achieving this objective would be a tightening of the number of priorities in structural funds programmes.

2. *Emphasis on R&D and Innovation.* Given the empirical evidence that there are generally very high social rates of return on investment in R&D and innovation, the Structural Funds' focus on these investment fields should be increased in the next programming period, on a flexible basis and taking local and regional circumstances into account. Similarly, the emphasis on institutional factors which facilitate and disseminate research, development, and innovation, should be increased.

3. *Support for Institutional Development.* Where relevant, Structural Fund programmes should increase their systematic support for the development of basic institutions. Among relevant institutional factors that are both conducive for growth and could conceivably be supported by the Structural Funds to a greater extent are measures for improving the efficiency of public administration and central and regional levels, in particular as regards business related public administration services and business regulation.

4. *Conditionality*. Where relevant, Structural Fund support could to a greater extent be made conditional upon the establishment or further development of basic institutional prerequisites for economic growth, primarily institutional elements of good governance.

5. *Stricter Limits for Support to Individual Enterprises.* There should be stricter limits for support to individual enterprises above the SME threshold where this support does not involve support to human resource development, research and development, or other goods with positive externalities. There are no economic efficiency justifications for such support to individual enterprises, although the concern for the reduction of regional disparities may warrant specific assistance.[185]

6. *More Solid Assessments of Costs, Benefits, and Growth Effects.* Stronger requirements should be introduced for solid assessments of the costs and benefits and the growth effects of Structural Fund investment.

[185] The possiblity for direct support to business start-ups and entrepreneurs could be retained on the grounds of the positive externalities of entrepreneurship, but this must be considered carefully since there are evident risks of displacement effects (where subsidies results in positive employment and/or output effects in benefiting firms, but at the cost of jobs in other firms in the assisted region).

7. *Facilitation of Risk-Taking and Innovation in Structural Fund Supported Measures.* Ways for increasing risk-taking and innovation in Structural Fund supported measures should be identified and implemented. There is evidence that current practices of financial control and monitoring presently systematically hinder risk-taking and innovation in Structural Fund implementation.

8. *Intensified Research into Returns of Investment in Different Regions.* Research efforts should be intensified so as to increase the level of knowledge about the returns of different types of investment in different types of regions. A solid knowledge base should be established with a view to creating the preconditions for focusing investment support more accurately on regions and investment fields with the highest possible returns.

9. *Raising the Awareness of the Lisbon Strategy.* Actions should be taken to raise the awareness and consciousness of the Lisbon Strategy at the regional level. There is a real basis for the Lisbon Strategy's concerns for competitiveness in the face of intensifying globalisation and an increasing pace of technological change. For this reason, relevant regional actors should be encouraged to take into consideration the objectives of the Strategy.

4. Adjusting the Governance Structures of the Lisbon Strategy

Hypothesis:
The governance structures of the Lisbon Strategy could be adjusted so as to reflect the experiences from Structural Fund support and to enhance the potential role of the regions.

The governance structure of the Structural Funds could be seen to highlight some weaknesses of the Lisbon Strategy. The Structural Funds systematically operate a strategic planning approach, and the implementation of this approach is underpinned by the availability of relevant legal and financial instruments. In contrast, there are only weak legal instruments and very limited financial instruments available at Union level in many of the Lisbon Strategy's areas, just as the Strategy as such does not have a firm Treaty base.

Neither can the Lisbon Strategy, its title notwithstanding, be seen to reflect a systematic strategic planning approach involving, for instance, in-depth analysis of challenges, strengths, and weaknesses, or analyses of available policy options and the development on this basis of unified action plans involving systematic monitoring and evaluation.

A further development of the governance structures of the Lisbon Strategy would seem beneficial with a view to increasing the possibilities of achieving the Strategy's objectives by 2010. However, the present characteristics of the Lisbon Strategy no doubt reflect political concerns for subsidiarity and national sovereignty in sensitive fields, as well as the fact that the Lisbon Strategy is a political compromise which must address different concerns.

Box 7.4 Policy Recommendations: Adapting and Improving the Lisbon Strategy

1. *Adapting Lisbon so as to Improve its Utility for Strategic Reform Processes.* The Lisbon Strategy should be adapted so as to improve its potential utility for the initiation and implementation of strategic reform processes at the level of the Member States and the regions. The experiences from several decades of Structural Fund support should be taken into consideration in this respect.

2. *The Open Method of Coordination as a Systematic Analytical Process.* It should be considered to reform the Open Method of Coordination so it resembles to a higher degree a systematic analytical process involving, for instance, ex ante analyses, strategies for selected prioritised areas, the preparation of comprehensive development plans, extended impact assessments, and systematic external evaluation and peer review, in a unified process for each Member State.

3. *A Single National Strategic Plan for Lisbon Strategy Implementation.* In this connection, the instruments of the Open Method of Coordination (National Action Plans, National Reports on Structural Reforms, and other systematic national reporting in relation to the Lisbon Strategy's objectives) should be consolidated into a single framework of strategic policy formulation, monitoring, and evaluation.

4. *Policy Coherence within the Lisbon Framework.* Encouragement should be given to greater overt coherence and alignment at the Member State level of relevant national policies and strategies within the Lisbon Strategy framework, as the present evaluation has suggested that countries where this happens have experienced a more significant contribution of the Structural Funds to the Lisbon Strategy.

5. *Distinction between Global Objectives and Operational Targets.* A clearer distinction should be drawn between global objectives and operational targets. In order to increase their utility and potential impact, operational targets should be defined at Member State and, where relevant, at regional level, on the basis of systematic analysis. Operational targets should consider the differences between the Member States and their regions.

6. *Encouragement of the Use of Operational Targets.* Encouragement should be given to the utilisation of the operational targets in national and, where relevant, regional strategic planning processes, within or outside the framework of Structural Fund programming.

7. *Peer Review of Operational Targets.* The definition of operational targets should be subject to an approval mechanism, for instance involving peer review.

8. *A differentiated approach to monitoring, evaluation, and support to implementation.* It should be considered to adopt a differentiated approach to monitoring, evaluation of, and support to the Lisbon Strategy's implementation in different Member States. This would reflect a key finding of the present study: That the status and significance of the Lisbon Strategy differs considerably between Member States. In some States the Strategy is virtually superfluous, while in other States the Strategy's approach to reform and development has not yet taken hold to any significant extent even though the needs are clearly there.

9. *Raising the Awareness of the Lisbon Strategy.* Actions should be taken to raise the general awareness and consciousness of the Lisbon Strategy among relevant actors at the regional level as well as among other relevant actors.

At the same time it is necessary to emphasise that there is a contradiction between the extremely ambitious overall objectives of the Lisbon Strategy on the one hand and the structures and instruments with which these objectives are to be realised on the other hand. As long as intentions on a European scale are not matched with corresponding instruments, there is a risk that disappointment and disillusionment will be the eventual results.

Reforms of the governance structures of the Lisbon Strategy would also open up the possibility of a closer political and administrative integration of activities related to the Strategy and Structural Fund support.

In sum, there are several good reasons for considering different adjustments of the governance structures of the Lisbon Strategy with a view to increasing synergies and complementarities with the Structural Funds and thereby also potentially increasing the role of the regions. Box 7.4 contains the recommendations of the evaluators in this respect, just as box 7.2 concerning the proposed new Competitiveness and Employment Objective points to ways in which this new Objective could potentially be used to strengthen the Lisbon Strategy and its significance.

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Annex 1: Relevant Specific Lisbon Strategy Objectives

Below we highlight those objectives of the Lisbon Strategy that are relevant in the context of the present context and exclude those where there is no potential relationship with the Structural Funds.

An a priori decision has been made in this connection to focus on those specific objectives that require the allocation of funds for investment in one or the other way, while other aspects are to be included in specific connections.

This is because the Structural Funds by definition operate through the allocation of funds. Any Structural Funds contribution to the implementation of the Lisbon Strategy is therefore likely to be in those fields where investments and financial allocations are required. On the other hand, this does not imply that Structural Funds contributions to the Lisbon Strategy can only be in terms of the direct effects of Structural Funds interventions. There may be other indirect effects as well, but all contributions are likely to be related to the distribution/allocation of funds.

The decision means that objectives relating to the adoption of new legislation or regulation, at the Member State or the Union level, are not included. Among other things, this implies that the so-called Cardiff-process on the restructuring of product and capital markets is excluded from our listing of specific Lisbon Strategy objectives. The same applies to the theme of adequate and sustainable pensions. A third area that is excluded is reform of the formal education systems of the Member States.

1. A competitive, dynamic and knowledge-based economy[186]

The Overall Economic Policy Mix

- Macro-economic policies should preserve stability and stimulate growth and employment. They should foster the transition towards a knowledge-based economy, which implies an enhanced role for structural policies.
- Public expenditure should be redirected towards increasing the relative importance of capital accumulation – both physical and human – and support of research and development, innovation and information technologies.
- State aid should be reoriented from supporting individual industries or sectors towards tackling horizontal objectives of Community interest, such as employment, regional development, environment and training or research.

[186] The specific objectives mentioned in this section have all been identified in European Council Presidency Conclusions addressing the Lisbon Strategy, or in Community action plans which have been endorsed in these Conclusions, cf. http://europa.eu.int/comm/lisbon_strategy/pdf/thematic_lisbon_conclusions_1203_en.pdf. The categorisations are the responsibility of the evaluators.

IT Infrastructure Investment

- There should be widespread access to inexpensive, world-class communications infrastructure for businesses and citizens.
- Broadband should be available for all public administrations by 2005, for schools and universities and concerning health services by the end 2005. Broadband networks should be deployed, where necessary, in less favoured areas.

Investment in Research and Development

- Overall spending on R&D and innovation should be increased to approach 3 per cent of the GDP by 2010
- There should be stronger coordination between public and private-funded research and increased use of Structural Funds for R&D projects.
- The EU should take a leading role in developing and applying environmental technologies.

Investment in Human Capital

- There should be a substantial annual increase in per capita investment in human resources.
- The number of 18 to 24 years olds with only lower-secondary level education who are not in further training and education should be halved by 2010.
- The fight against illiteracy must be enforced, and the numeracy gap must be closed

Lifelong learning

- Lifelong learning should be given a higher priority as a basic component of the European social model.
- Learning and training opportunities must be offered to target groups at different stages of their lives: the young, unemployed adults, employees at risk of seeing their skills overtaken by rapid change.

Skills for the information society

- Every citizen should be equipped with the skills needed to live and work in the information society. Europe’s education and training systems should be adapted to the demands of the knowledge society and should be made a world quality reference by 2010.
- Info-exclusion must be prevented by different means of access
- Member states should launch by end 2003 actions to provide adults with the key skills needed for the knowledge society, where appropriate using Structural Funds.

Enlarging the workforce

- Efforts should be stepped up to increase opportunities for older workers to remain in the labour market, for instance through flexible and gradual retirement formulas and guaranteeing real access to lifelong learning.

Increasing employability through active labour market policies

- Employability should be improved, and the skills gap should be reduced by promoting social programmes to enable unemployed people to fill skills gaps.
- There should be active measures for the unemployed no later than 6 months after unemployment.
- 25 per cent of long-term unemployed should be in active measures by 2010.
- Regional employment disparities should be addressed.

Investment in Business Development

- A culture of entrepreneurship must be promoted.
- Entrepreneurship, especially among the young, should be promoted. Entrepreneurs' access to the Structural Funds should be improved.
- Young people's entrepreneurial endeavours should be encouraged. Appropriate training schemes for managers in small enterprises should be developed.
- Training institutions, complemented by in-house training schemes, should deliver an adequate supply of skills adapted to the needs of small business, and provide lifetime training and consultancy
- Technology dissemination towards small enterprises as well as the capacity of small business to identify, select and adapt technologies should be promoted

Trans-European Networks

The 2003 Brussels European Council decided to include Trans-European Networks under the headings of the Lisbon Strategy in connection with the Union's growth strategy. The objectives in this connection are:

- The Promotion of Trans-European Transport Networks
- The Promotion of Trans-European Energy Networks (gas, electricity, other types of energy)

2. Social inclusion

- Equal opportunities should be furthered, including reducing occupational segregation and making it easier to reconcile working life and family life.
- The number of people at risk of poverty and social exclusion must be significantly reduced by 2010.
- The promotion of inclusion should be mainstreamed into the Member States' employment, education and training, health and housing policies, this being complemented at Community level by action under the Structural Funds.

3. Sustainable development

- Environmental degradation and resource consumption should be de-coupled from economic growth and social requirements.
- Public and private investments should be redirected towards new, environmentally friendly technologies.
- The Kyoto protocol's targets should be met (8 per cent reduction of greenhouse gas emission from 1990 levels in EU15 + Czech Republic,

Estonia, Latvia, Lithuania, Slovakia and Slovenia, 6 per cent reduction for Poland and Hungary).

- The share of electricity produced by renewable energy sources should increase to 22 per cent by 2010.
- Fisheries management should be improved to reverse the decline in stocks and ensure sustainable fisheries and healthy marine ecosystems.
- There should be a shift in transport from road to rail, water and public passenger transport. The share of road transport in 2010 should be no greater than in 1998.

Annex 2: Global and Specific Objectives of the Structural Funds

1. The Objectives of Funds and Initiatives Targeting Specific Areas

This section summarizes the global and specific objectives of those Structural Funds that are focused on addressing problems in specific areas, regions or spaces. These funds currently comprise the ERDF, the EAGGF-Guidance and FIFG. The Cohesion Fund is also included. Among the Community initiatives, Leader+ and Urban II are included.

Global Objectives

The Global Objectives of ERDF, EAGGF-Guidance, FIFG, the Cohesion Fund, Leader+ and Urban II

- limited disparities between the levels of development of various regions and Member States
- with a high level of employment
- with equality between men and women
- in which the environment is protected and improved
- in which national borders do not hinder balanced development and integration of the European territory.[187]

Relevant Specific Objectives[188]

These global objectives are to be realised via the realisation of a number of specific objectives, or means to achieve the global objectives. We focus on types of specific objectives that are relevant in connection with the Lisbon Strategy, i.e. we remain at roughly the same level of generality as the specific objectives of the Lisbon Strategy.

1. Investment in Business Development

- To support the productive environment and the competitiveness of enterprises (ERDF).
- To support activities of SMEs by assistance towards services for enterprises, financing the transfer of technologies, investment aid (ERDF).

[187] Based on Council Regulation (EC) No. 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds, Regulation (EC) No 1783/1999 of the European Parliament and of the Council of 12 July 1999 on the European Regional Development Fund, Council Regulation (EC) No 1263/1999 of 21 June 1999 on the Financial Instrument for Fisheries Guidance, Council Regulation (EC) No 1164/94 of 16 May 1994 establishing a Cohesion Fund, and Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF)

[188] It should be emphasised that there are important Structural Funds objectives that are not included in this list below. Most importantly, the Objective 1 programme of the ERDF supports investment in basic physical infrastructure in less prosperous regions.

- To support entrepreneurship and the development of small firms and local employment initiatives in cross-border cooperation (INTERREG).
- To support the competitiveness of structures and the development of economically viable enterprises in the fisheries sector (FIFG).
- To contribute to revitalising areas dependent on fishery and agriculture (FIFG).
- To support the improvement of structures in agricultural holdings and structures for the processing and marketing of agricultural products (EAGGF).
- To support the conversion of and reorientation of agricultural production potential, the introduction of new technologies and the improvement of product quality (EAGGF).

2. Research and Technological Development

- To support research and technological development (ERDF).
- To support the transfer of technology, including in particular the collection and dissemination of information, common organisation between enterprises and research establishments, and financing the implementation of innovation in enterprises (ERDF).

3. Infrastructure Investment

- To support the development of local, regional and trans-European networks (ERDF), also in cross-border cooperation (INTERREG).
- To provide suitable access to local, regional and trans-European networks in the sectors of transport infrastructure, telecommunications and energy (ERDF).
- To support investment in infrastructure which concerns the diversification of economic sites and industrial areas suffering from decline (ERDF).
- To support investment in infrastructure which concerns the renewal of depressed urban areas (ERDF).
- To support investment in infrastructure which revitalises and improves access to rural areas and areas dependent on Fisheries (ERDF).
- To support transport infrastructure projects in Member States with a per capita GDP of less than 90 per cent of the Community average (Cohesion Fund).

4. Investment in Environmental Protection

- To support environmental protection projects in Member States with a per capita GDP of less than 90 per cent of the Community average (Cohesion Fund). I.e. projects preserving, protecting and improving the quality of the environment, protecting human health, supporting a prudent and rational utilisation of natural resources and promoting measures at international level to deal with regional or world-wide environmental problems,[189] contributing

[189] Article 174 of EC Treaty, referred to in Council Regulation (EC) No 1164/94 of 16 May 1994 establishing a Cohesion Fund and on the Communication from the Commission to the Member States of 28.4.00 laying down guidelines for a Community Initiative concerning trans-European cooperation (INTERREG).

to the prevention of climate change and bringing about more sustainable production and consumption patterns.[190]

- To support the maintenance and promotion of low-input farming systems (EAGGF).
- To support the preservation and promotion of a high nature value and a sustainable agriculture respecting environmental requirements (EAGGF).
- To protect the environment, locally and globally, increase energy efficiency and promote renewable sources of energy in cross-border cooperation (INTERREG).

5. Human Resource Development

- To support training that contribute to the improvement of the occupational skill and competence of farmers and other persons involved in agricultural activities and forestry activities, and their conversion (EAGGF).
- To invest in capabilities for strategic sustainable development planning in rural areas (Leader+).
- To support the exchange of information and experiences regarding Objective 1 and 2 activities, between public authorities involved in Interreg-activities, and between cities and urban areas (INTERREG).

6. Social Development

- To support the improvement of working and living conditions in the agricultural sector (EAGGF).
- To support the maintenance and viable social fabric in rural areas (EAGGF).
- To support the early retirement of farmers (EAGGF).

2. The Objectives of the European Social Fund and Equal

In terms of their overall rationale, the ESF and the Community Initiative Equal differ from the abovementioned Funds and Initiatives in addressing problems and issues that are not exclusively tied to specific geographical regions. As an important part of its activities, the ESF does, however, also finance programmes that are targeting specific regions within the overall framework of the EU's Regional Policy, since it contributes to the financing of the Objective 1 and 2-programmes.

Global Objectives

The global objectives of the ESF and the Community Initiative Equal can be said to be the realisation of a European economy with:

[190] Sixth Community Environment Action Programme, referred to in to in Council Regulation (EC) No 1164/94 of 16 May 1994 establishing a Cohesion Fund.

The Global Objectives of the European Social Fund and the Community Initiative Equal

- a low level of unemployment,
- a high level of employment, facilitated through human resource development and economic growth,
- environmentally sustainable economic development,
- without discrimination in the labour market on the grounds of gender, race, ethnic origin, disability or age.[191]

Relevant Specific Objectives

As regards specific objectives, we again focus on types of objectives that are relevant in connection with the Lisbon Strategy, i.e. we remain at roughly the same level of generality as the specific objectives of the Lisbon Strategy.

1. Human Resource Development

Investment in Training and Education

- Promoting and improving training, education, and counselling as part of lifelong learning policy to facilitate and improve access to, and integration into, the labour market, improve and maintain employability, and promote job mobility (ESF). Focus on those suffering discrimination and inequality in connection with the labour market (EQUAL).
- Promoting a skilled, trained and adaptable workforce (ESF).
- Promoting innovation and adaptability in work organisation (ESF).

Measures to maintain and upgrade the skills of unemployed or people outside the labour market

- To facilitate the reintegration of the long-term unemployed into the labour market (ESF).
- To prevent both women and men from moving into long-term unemployment (ESF).
- To develop and promote active labour market policies to combat and prevent unemployment (ESF).
- To support the occupational integration of young people and of persons returning to the labour market after a period of absence (ESF, EQUAL).

2. Social Development

[191] Based on Regulation (EC) No 1784/1999 of the European Parliament and of the Council of 12 July 1999 on the European Social Fund, the Communication from the Commission to the Member States of 14.4.00 establishing the guidelines for the Community Initiative EQUAL, and Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions establishing the guidelines for the second round of the Community Initiative EQUAL, 30.12.03.

- Promoting equal opportunities for all in accessing the labour market, with particular emphasis on those exposed to social exclusion (ESF). Reducing gender gaps and supporting job segregation (EQUAL).
- Improve women's access to and participation in the labour market, including their career development, their access to new job opportunities and to starting up of businesses, and to reduce vertical and horizontal segregation on the basis of sex in the labour market (ESF).
- Ensure equal access to he facilities of the information society (ESF).
- Combat racism and xenophobia in relation to the labour market (EQUAL).
- Strengthening the social economy (the third sector), in particular the services of interest to the community, with a focus on improving the quality of jobs (EQUAL).
- Reconciling family and professional life, as well as the re-integration of men and women who have left the labour market, by developing more flexible and effective forms of work organisation and support services (EQUAL).
- Supporting the social and vocational integration of Asylum Seekers (EQUAL).

3. Business Development

- Developing entrepreneurship and conditions facilitating job creation (ESF).
- Opening up the business creation process to all by providing the tools required for setting up in business and for the identification and exploitation of new possibilities for creating employment in urban and rural areas (EQUAL).
- Developing policy and programmes designed to harness the employment potential of the information society (ESF).
- Support for local initiatives concerning employment, in particular initiatives to support local employment and territorial employment pacts (ESF).
- Supporting the adaptability of firms and employees to structural economic change and the use of information technology and other new technologies (EQUAL).

4. Investment in Human Research, Science and Technology Potential

- Enhancing skills and boosting human potential in research, science and technology (ESF).

Annex 3: Congruent Specific Objectives of the Lisbon Strategy and the Structural Funds

A detailed analysis has been carried out of the specific objectives of the Lisbon Strategy and all the Structural Funds. The result of the analysis is that as regards the specific objectives of the two approaches, there is a quite considerable complementary.

The list below thus consists of themes and objectives integrating the core of the objectives of the Lisbon Strategy and the Structural Funds. The starting point is the relevant Lisbon Strategy objectives, and the parenthesises indicate in which of the Structural Funds the overlapping objectives can be found. Whereas the exact formulation of the objectives may differ between the formulations of the Lisbon Strategy and those of the Funds, the fundamental content of most objectives is identical. The exact formulation reproduced is that of the Lisbon Strategy.

Employment (ERDF, EAGGF-Guidance, FIFG, ESF, EQUAL)
- Increasing overall employment levels
- Increasing levels of employment for women
- Increasing levels of employment for the 55-64 year olds

Infrastructure Investment (ERDF)
- Widening access to communications infrastructure (broadband, etc.) for businesses, public administrations and citizens

Investment in Research and Development (ERDF)
- Increasing spending on research and technological development and innovation
- Strengthened co-ordination and transfer of technology between public and private-funded research
- Promote development and application of new environmental technologies.

Investment in Human Capital/HRD (ESF, EQUAL, EAGGF)
- Increase investment in human capital
- Reduction of the share of 18 to 24 years olds with only secondary level education
- Promotion of training, education and counselling to improve/maintain
    - Lifelong learning
    - Integration into the labour market, employability and job mobility
    - Innovation and adaptability in work organisation
    - Skills for the information society
- Adaptation of education and training systems to the demands of the knowledge society
- Schools and training centres developed to multi-purpose local learning centres facilitating learning partnerships.

Investment in Business Development (ERDF, ESF, FIFG, EAGGF, INTERREG)
- Promote entrepreneurship
- Enhance competitiveness of enterprises
- Support activities of SMEs via
  - Training
  - consultancy
  - investment aid
  - technology dissemination, – furthering the capacity of SMEs to adapt technologies

Social inclusion (ERDF, ESF, EQUAL)
- Promoting equal opportunities for being active in the labour market
- Reducing gender gaps in employment
- Reducing occupational segregation
- Reducing the number of people at risk of poverty and social exclusion
- Address regional employment disparities

Sustainable development (ERDF, ESF, FIFG, EAGGF, INTERREG, COHESION FUND)
- Environmental degradation and resource consumption should be de-coupled from economic growth and social requirements.
- Protecting human health
- Furthering investments in new environmentally-friendly technologies
- Managing natural resources:
  - Prudent and rational utilisation of natural resources
  - Protection and restoration of habitats and natural systems
  - Sustainable fisheries to reverse the decline in stocks and to ensure healthy marine ecosystems
- Reducing road transport while furthering rail, water and public passenger transport.

Annex 4. The Current Relevance of Lisbon Strategy's Structural Indicators

Today, an operational cornerstone in the Lisbon is the structural indicators against which the Lisbon Strategy reflects itself and its policy objectives, and against which Member State performance is regularly assessed (Commission 2002a, 2003a). The indicators are an operational expression of some of the objectives towards which the Member States are working. For the 2004 spring report (the Commission's yearly review of progress in the Lisbon Strategy), a short list of 14 structural indicators were used:

- GDP per capita in PPS
- Real GDP growth rate
- Labour productivity per person employed
- Labour productivity per hour worked
- Total employment growth
- Employment growth: females
- Employment growth: males
- Inflation rate
- Unit labour cost growth
- Public balance
- General government debt

For earlier Spring Reports a more comprehensive list of indicators where used. For the 2003 Spring Council, the list consisted of 42 structural indicators.

It seems clear that this short list of indicators has been developed primarily in response to a request from the European Council to simplify the information presented in reviewing progress towards achieving the Lisbon objectives.

What also seems clear is that the 14 indicators do not reflect the scope and complexity of the Strategy. They focus primarily on a number of key macro- and microeconomic indicators which largely can be seen as indicators of economic competitiveness. Other aspects of the Lisbon Strategy are less clearly reflected in these indicators. Moreover, to a very large extent the 14 indicators focus on the desired end result (the global objectives of the Lisbon Strategy), not on the means to achieve these objectives (the specific objectives). In many respects, the specific objectives are more important as they point to necessary - and often very painful - structural reforms, difficult re-prioritisations of public expenditure and the need to redress important legislation.

A wider set of structural indicators are available at Eurostat's website,[192] and are being used in various connections by the Commission, and also by relevant national authorities in the Member States: The quantitative indicators make up

[192] http://europa.eu.int/comm/eurostat/Public/datashop/print-product/EN?catalogue=Eurostat&product=struct-EN&mode=download

an important element in the above-mentioned cyclical reporting system which has been developed in several areas of the Lisbon Strategy. The indicators also serve to provide relevant Member State authorities with information on progress in other states against which the performance of the Member State in question can be benchmarked.

The total set of structural indicators reflects the far-reaching ambition represented by the Lisbon Strategy. However, in the context of the present evaluation, several things should be noted about the indicators.

First, even the wide set of indicators does not cover all of the objectives embodied in the Lisbon Strategy. They reflect a concern to quantify, wherever possible, the targets of the Strategy and the Member States' movement towards the realisation of the targets. However, in fields such as research, education, lifelong learning and "strengthening skills for the information society", it is a challenge to develop valid and relevant statistical indicators. Many indicators today consist of "input"-information, i.e. public expenditure or other resources devoted to a given field, more that indicators on outputs and outcomes, i.e. the results achieved by the allocation of resources. This is the case for instance as regards the indicators "spending on human resources", "R&D expenditure", "ICT-" and "telecommunications-expenditure".

Furthermore, several of the Lisbon Strategy objectives identified in the present analysis does not seem to be covered by relevant structural indicators to any great extent. This goes for several of the specific Lisbon objectives, such as for instance the objective of "stronger coordination between public and private research", the "fight against illiteracy and the numeracy gap" and "the adaptation of the education and training systems to the demands of the knowledge society".

Finally, even if a number of indicators are focused on inputs rather than outputs and outcomes, it seems that in some fields indicators are too exclusively focused on final outcomes. To a great extent, the Lisbon Strategy concerns the need to undertake structural reforms in various policy areas. While these structural reforms are not a key concern in the present study, which focuses on the contribution of the Structural Funds and the limits and conditions of such a contribution, it is nevertheless apparent that the actual reform processes are not so well illuminated by the structural indicators. As regards the need to open up and increase competition in various product markets, the indicators focus for instance on the degree to which there is price convergence between different geographical markets. Indicators which seek to shed light on the form and contents of various movements towards opening up markets are not, however, included. Such information would be valuable in the context of assessing what is actually being done within the Member States to achieve the Lisbon objectives.

In relation to the present study, the information contained in the structural indicators are utilised for the purpose of establishing an overview of the national situation in relation to the Lisbon Strategy. The case studies' first step thus consisted of an analysis of the national implementation of the Lisbon Strategy. Information from the relevant indicators provided an initial overview of the status of the Member State in question in relation to relevant Lisbon Strategy objectives.

Annex 5. Operational scoring definitions in connection with the implementation of the Lisbon Strategy

Scoreboard Overview of Lisbon Strategy Implementation Processes for Member State X (scores 1 low to 5 high in each cell)

	Dimensions of implementation					
Relevant Lisbon Strategy Field	A. Political Saliency	B. Legi-slative reforms	C. Admini-strative reforms	D. Reforms of budget allocations	E. Regional integration	F. Partner-ship approach
Overall Economic Policy Mix						
IT Infrastructure						
Research and Development						
Lifelong Learning						
Skills for the Inf. Society						
Enlarging the Workforce						
Increasing Employability						
Business Development						
Social Inclusion						
Sustainable development						
Strategic mode of reform						

Score	**Score Criteria for Each Dimension of Implementation (A-F) in the Scoreboard Overview**
1	- No political attention to the field from relevant political actors (A) - No reforms initiated or foreseen with reference to the Lisbon Strategy (B, C, D) - No regional integration in implementation (E) - No partnership approach employed (F)
2	- Some interest in the field from some political actors (A) - Some reforms have been discussed but not decided upon and implemented (B, C, D) - The integration of the regional level has been considered but not implemented to a significant degree (E) - The partnership approach has been considered but not employed (F).
3	- Significant interest in the field from some but not all political actors (A) - Some reforms have been discussed and decided upon (B, C, D) - The regional level has been involved in some respects (E) - The partnership approach has been employed in some respects (F).
4	- Significant interest in the field from most relevant political actors (A) - A number of reforms have been discussed and decided upon, some have been implemented (B, C, D) - The regional level has been involved in several respects (E) - The partnership approach has been employed in several respects (F).
5	- Significant interest in the field from all relevant political actors (A) - Most relevant reforms have been discussed, decided upon, and are being implemented or have been implemented (B, C, D) - The regional level has been involved in many respects (E) - The partnership approach has been employed in many respects (F).

Strategic Mode of Reform	1: No horizontal co-ordination between relevant ministries with respect to the Lisbon Strategy 2: Sporadic co-ordination between some ministries in some fields 3: Regular co-ordination between some ministries in some fields 4: Regular co-ordination between most ministries in most relevant fields 5: Systematic and institutionalised co-ordination between all relevant ministries.

Annex 6. List of Quantitative Lisbon Strategy Targets used in the Assignment of Goal Achievement Scores

A: Employment
Employment level, total
Females
Males
55-64 year olds
Unemployment level
Dispersion of regional employment
Average exit age from labour force
B: Infrastructure investment
Level of internet access
C: Research and Development
Total R&D expenditure
Private R&D expenditure
D: Investment in Human Capital
Public expenditure on education (% of GDP)
Early school-leavers: total
E: Investment in Business Development
Venture capital investments: early stage
Venture capital investments: expansion & replacement
F: Social Inclusion
Gender pay gap in unadjusted form
At-risk-of-poverty rate after social transfers: total
At-persistent-risk-of-poverty rate: total
G: Sustainable development
Energy intensity of the economy
Greenhouse gas emissions
Percentage share of road in total inland transport
Renewable energy sources

Annex 7. List of Lisbon Strategy Objectives used in the Mapping of Structural Fund Contributions

Employment Increasing levels of employment for women
Increasing levels of employment for the 55-64 year olds
Infrastructure Investment Widening access to communications infrastructure
Investment in Research and Development Increase spending on research and technological development and innovation
Stronger coordination and transfer of technology between public and private-funded research
Promote development and application of new environmentally friendly technologies
Investment in Human Capital/Human resource development Increase investment in human capital
Reduction in the number of the 18 to 24 years olds with only secondary level education
Promotion of lifelong learning (offer learning and training opportunities different stages life)
Training and education for integration into the labour market, employability and job mobility
Training and education for innovation and adaptability in work organisation
Training and education for skills for the information society
Making schools and training centres multi-purpose local learning centres facilitating learning partnerships.
Investment in Business Development Promote entrepreneurship
Enhance competitiveness of enterprises
Support activities of SMEs via training, consultancy, investment aid and technology dissemination
Social inclusion Promoting equal opportunities for being active in the labour market
Sustainable development Furthering investments in new, environmentally-friendly technologies
Managing natural resources/Protection and restoration of habitats and natural systems
Reducing road transport while furthering rail, water and public passenger transport

Annex 8: Scoring Explanations for Lisbon Strategy Goal Achievement in Selected Fields

- Scoring explanation for **Employment rate total** (quantitative target = 70%): “0 = more than 5% below target”, “1 = between 5% below and target”, “2 = between 0 and 2,5% above target”, “3 = more than 2,5% above target”.
- Scoring explanation for **Employment rate – females** (quantitative target =60%): “0 = more than 5% below target”, “1 = between 5% below and target”, “2 = between 0 and 2,5% above target”, “3 = more than 2,5% above target”.
- Scoring explanation for **Employment rate – males** (no quantitative target, average = 73,5%): “0 = more than 5% below average”, “1 = between 5% below and average”, “2 = between 0 and 2,5% above average”, “3 = more than 2,5% above average”.
- Scoring explanation for **Employment rate – 55-64 years old** (quantitative target = 50%): “0 = more than 5% below target”, “1= between 5% below and target”, “2 = between 0 and 2,5% above target”, “more than 2,5% above target”.
- Scoring explanation **for dispersion of regional employment** (average = 6,65): ”0 = more than 2% above average”. “1 = between 2% above and average”, “2 = between 0 and 1.5% below average”, “3 = more than 1.5% below average”.
- Scoring explanation for **average exit age from labour market** (average = 61 years): “0 = more than 2 years below average”, “1 = between 2 years below and average”, “2 = between 0 and 1 year above average”, “3 = more than 1 year above average”. Furthermore, as the target deals with a preferred development, 1 is subtracted from the above score if a negative development is found and 1 is added if a positive development is found. Still minimum is “0” and maximum is “3”.
- Scoring explanation for **Internet access (average = 39,94)**: ”0 = more than 10% below average”, ”1 = between 10% below and average”, “2 = between 0 and 5% above average”, “3 = more than 5% above average”
- Scoring explanation for **R&D expenditure total** (target = 3%): “0 = more than 2% below target”, “1 = between %2 and 1% below target”, “2 = between 1 below and target”, “3 = target and above”.
- Scoring explanation for **R&D expenditure private** (target = 2%): “0 = more than 1% below target”, “1 = between 1 below and the target”, “2 = target and above”.
- Scoring explanation for **public expenditure on educatio**n (average = 5,4%): “0 = More than 1% below average”, “1 = between 1% below and average”, “2 = between average and 1% above”, “3 = more than 1% above average”. Furthermore, as the target deals with a preferred development, 1 is subtracted from the above score is a negative development is found and 1 is added if a positive development is found. Still minimum is “0” and maximum is “3”.
- Scoring explanation for **Early school leavers – total** (average = 16,95%): “0 = more than 5% above average”, “1 = between 5% above and average”, “2 = between 0 and 2,5% below average”, “3 = more than 2,5% below average”. Furthermore, as the target deals with a preferred development, 1 is subtracted from the above score if a negative development is found and 1 is added if a positive development is found. Still minimum is “0” and maximum is “3”.
- Scoring explanation for **venture capital investments – early stage** (average = 0,036): “0 = more than 20% below average (below 0,028)”, “1 = between 20% below and average (0,028 – 0,036)”, “2 = between 0 and 20% above average (0,036 - 0,043)”, “3 = more than 20% above average (more than 0,043)”.

- Scoring explanation for **venture capital investments – expansion and replacement** (average = 0,077): "0 = more than 20% below average (below 0,062)", "1 = between 20% below and average (0,062 – 0,077)", "2 = between 0 and 20% above average (0,077 – 0,092)", "3 = more than 20% above average (more than 0,092).
- Scoring explanation for **Gender pay gap** (average = 16,8): "0 = more than 2,5% above average", "1 = between 2,5% above and average", "2 between average and 2,5% below", "3 = more than 2,5% below average". Furthermore, as the target deals with a preferred development, 1 is subtracted from the above score if a negative development is found and 1 is added if a positive development is found. Still minimum is "0" and maximum is "3".
- Scoring explanation for **at-risk-of-poverty** (average = 15,9): "0 = more than 2,5% above average", "1 = between 2,5% above and average", "2 = between average and 2,5% below", "3 = more than 2,5% below average". Furthermore, as the target deals with a preferred development, 1 is subtracted from the above score if a negative development is found and 1 is added if a positive development is found. Still minimum is "0" and maximum is "3".
- Scoring explanation for **at-persistent-risk-of-poverty** (average = 9,9): "0 = more than 2,5% above average", "1 = between 2,5 above and average", "2 = between average and 2,5% below", "3 = more than 2,5% below average". Furthermore, as the target deals with a preferred development, 1 is subtracted from the above score if a negative development is found and 1 is added if a positive development is found. Still minimum is "0" and maximum is "3".
- Scoring explanation for **energy intensity of the economy** (average = 201): "0 = more than 20% above average (more than 241)", "1 = between 20% above and average (241 – 0)", "2 = between average and 20% below (0 – 160)", "3 = more than 20% below average (below 160). Furthermore, as the target deals with a preferred development, 1 is subtracted from the above score if a negative development is found and 1 is added if a positive development is found. Still minimum is "0" and maximum is "3".
- Scoring explanation for **Greenhouse gas emission (Kyoto protocol target)**: "0 = negative development", "1 = positive development".
- Scoring explanation for **percentage share of road in inland transport** (average = 86): "0 = more than 5% above average (91)", "1 = between 5% above and average (91 – 86)", "2 = between average and 5% below (86 – 81)", "3 = more than 5% below (below 81). Furthermore, as the target deals with a preferred development, 1 is subtracted from the above score if a negative development is found and 1 is added if a positive development is found. Still minimum is "0" and maximum is "3".
- Scoring explanation for **renewable energy sources** (target = 22%): "0 = more than 20% below target (below 17,5%)", "1 = between 20% and target (between 17,5 and 22%)", "2 = between target and 20% above (between 22 and 26,5%)", "3 = more than 20% above target (more than 26,5%).

Annex 9: Case Study Summaries

COUNTRY AND REGION: France, Aquitaine (Objective 2)

LISBON Part - National level					
1: Status		**2: Significance - how/which fields.**	**3: Key priorities**	**4: Regional integration in Lisbon**	
1.1: Overall strategy	**1.2: Main challenges**			**4.1: Partnership approach**	**4.2: Integration LS/SF**
Some signs that France is moving in the right direction especially in relation to the Information society. In terms of funds for R&D, France has not met the 2010 target but uses more than other countries. Lisbon in France is not given very high priority either by political or institutional key players. Lisbon is integrated into SF programming documents, but this happens via a national prioritisation. France is struggling with the stability and growth pact and it seems that most reforms are directed towards solving the budget problems. Furthermore a national dispute is existing on whether SF should go to regions or be centralised in sectoral programmes.	Access to venture capital, social inclusion, employment (especially seniors and reducing youth unemployment) and sustainable development. Despite France is still using 2.2% of GDP on R&D, these funds are being reduced.	Lisbon seems to play a very minor role in French policy and only the Ministry of Labour actually knew the 2010 targets! Thus impossible to say that Lisbon is significant within any fields, but at the same time there are initiatives found in fields relevant for Lisbon, but Lisbon is not responsible for putting these issues on the agenda.	Development of the Information Society, Lifelong learning, business development and social inclusion. At the same time it seems that the main issue on the political agenda is minimising the public budget deficit in order to comply with the Stability and Growth pact.	France is in a process where more and more power is being decentralised to regions, which is significantly different to the old centralisation model. Regional actors are in charge of SFs, but since Lisbon is not mentioned overly at the national level it is difficult to talk about a national/regional partnership model in implementation of Lisbon.	There are few signs, that Lisbon is given any role in implementation of SF programmes and vice-versa at national level. However, in Aquitaine Lisbon has inspired the new regional government in its new 2004-2010 regional development plan. Thus, it is certainly possible to find significant complementarities between Lisbon and regional SF programme implementation, but this happens without an overall national plan.

SF Part - Regional level									
5: Overall degree of complementarity between SF and Lisbon		**6: Percentage of Structural Funds used for Lisbon Strategy themes**	**7: Most important Lisbon Strategy themes supported at regional level via SF**	**8: Complementarities between regional challenges, Structural funds priorities and Lisbon Strategy themes**		**9: Adjustment of structural funds programmes towards inclusion of Lisbon Strategy themes as a consequent of mid-term revision**	**10: Character of non-Lisbon funded activities.**	**11: Process effects**	
5.1: Score	**5.2: Lisbon themes included (pos) and not included (neg) in main SF programmes**			**8.1: Complementarities between regional challenges and Structural funds priorities at regional level**	**8.2: Complementarities between regional challenges and Lisbon Strategy themes at regional level**			**11.1: Strategic thinking**	**11.2: Partnerships**
High There are significant complementarities between SF implementation in Aquitaine and Lisbon, but it can be discussed whether or not SF are important as SF only is marginally in comparison with other funds. The high level of complementarities in Aquitaine emerges because of the local government has integrated its plan with Lisbon, but generally there is a lack of Lisbon awareness at central and regional level.	**Pos:** Employment and business development, competitiveness, SMEs, human resources, R&D. **Neg:** Sustainable development.	Roughly **83%** of the SF are used for activities relevant for the Lisbon Strategy.	**1:** Human Capital Development **2:** Business Development **3:** Sustainable Development	**High** There is a clear link between the regional challenges and the SF priorities. The main challenges are a below average level of competencies and a business structure, which are in need for upgrading. These are also the main aspects supported via SFs.	**High** It seems that the challenges found in Acquitaine are compliant with the main themes outlined in the Lisbon Strategy.	It seems that a result of the recent *(2003)* mid-term evaluations has been that the Lisbon themes are given a higher priority in Acquitaine. However, at the same time Lisbon relevant themes was already before the evaluation to a large extent included and thus this can be understood as Lisbon is now introduced as an overall umbrella and focal point for SF activities in Acquitaine.	Quality of Life. Promoting rural resources / agriculture.	A regional development plan has been established already before the current SF programmes (Obj. 2/3). This plans set out guidelines for SF programme interventions and thus SF implementation happens on the basis of a clear socio-economic development plan. Whether or not this has been established or developed as a consequence of SF is unclear.	The prefect of the region is the managing authority of Obj. 2 programme and co-ordinates all stakeholders involved in programme implementation. Thus, identification of interventions is a joint exercise, which happens in cooperation between local authorities and social partners. An overall regional development plan has been established, which guides programme implementation.

COUNTRY AND REGION: Finland, Satakunta (Objective 2)

1: Status		2: Significance - how/which fields.	3: Key priorities	4: Regional integration in Lisbon	
1.1: Overall strategy	**1.2: Main challenges**			**4.1: Partnership approach**	**4.2: Integration LS/SF**
Finland performs particularly well in regard to investments in R&D and IT infrastructure and are close to reaching the employment objectives. Partnership approach with social partners and the private sector. Intense coordination between Ministries and Lisbon is integrated into national policies and initiatives.	1: Employment and in particular dispersion of the regional employment rates. 2: Retirement age. 3: Sustainable development	Lisbon is significant in Finland as Lisbon is closely integrated into main policy areas, such as employment, Entrepreneurship/business development and IT policy. However, Lisbon is not integrated into activities concerning R&D (though Finland performs well), Social inclusion and sustainable development.	Most focus on employment, business development, information society and R&D. This as a means to develop the welfare state system and economic prosperity of the economy.	Good partnership approach in implementing especially employment and IT/broadband initiatives. Co-ordinated between central and local level, including liaisons with private sector and social partners.	Especially employment policy but also IT/Broadband policy are Lisbon objectives linked to implementation of Lisbon at regional level. This happens via a national Open method of coordination, where the central level have guidelines, which are administered by the regional administrators (TE Centres). SF plays an important role in the region in realising the employment goals set out centrally and managed locally.

SF Part - Regional level										
5: Overall degree of complementarities between SF and Lisbon		**6: Percentage of Structural Funds used for Lisbon Strategy themes**	**7: Most important Lisbon Strategy themes supported at regional level via SF**	**8: Complementarities between regional challenges, Structural funds priorities and Lisbon Strategy themes**		**9: Adjustment of structural funds programmes towards inclusion of Lisbon Strategy themes as a consequent of mid-term revision**	**10: Character of non-Lisbon funded activities.**	**11: Process effects**	
5.1: Score	**5.2: Lisbon themes included (pos) and not included (neg) in main SF programmes**			**8.1: Complementarities between regional challenges and Structural funds priorities at regional level**	**8.2: Complementarities between regional challenges and Lisbon Strategy themes at regional level**			**11.1: Strategic thinking**	**11.2: Partnerships**
High. SF has a strong contribution to Lisbon objectives in the region. This without a formal regional Lisbon implementation plan, but because there is significant complementarities between Lisbon and national plans, which guides regional initiatives.	**Pos:** R&D, investments in Human capital, business development. Employment as a horizontal effect. **Neg:** Infrastructure investments, social inclusion and sustainable development.	The estimated total financial contribution of the Structural Funds 2000-2006 to the selected Lisbon Strategy themes is 96.6 million euros, **85 %** of the total Structural Funds contribution.	**1:** Business Development **2:** Human Capital Development **3:** Research & Development	**High** There is a high degree of complementarities between the regional challenges and the prioritised areas in SF programmes.	**High** The regional challenges facing the region and thus the main areas eligible for SF support falls generally within the Lisbon Strategy themes.	Recent mid-term evaluations of the Satakunta SF programmes has resulted in some minor adjustment, but these are mostly focused on making the programmes more effective and does not change the already existing priorities. The programmes are already to a significant extent compliant with the main Lisbon Strategy themes. This is somewhat incidental, as there was at the outset complementarities between the regional challenges and Lisbon.	E.g. physical infrastructure, community development.	It is clear that SF programming has added a professional ability to create, develop and manage networking and partnership needed in the programme.	Partnership approach is widely used – including partnerships between central and local level, and at the local level between public and private partners. Programme evaluations have highlighted that partnerships are functioning well, but could be improved in terms of cross-programme coordination.

COUNTRY AND REGION: Austria, Lower Austria (Objective 2)

LISBON Part - National level					
1: Status		**2: Significance - how/which fields.**	**3: Key priorities**	**4: Regional integration in Lisbon**	
1.1: Overall strategy	**1.2: Main challenges**			**4.1: Partnership approach**	**4.2: Integration LS/SF**
In general, Austria performs well in regard to most Lisbon objectives. Especially long-term and dispersion of unemployment, energy intensity, but also in terms of business investments. Lisbon plays an important role in Austrian politics as objectives are included in different national initiatives and thus there are complementarities between national priorities and Lisbon.	**1:** Employment among seniors. **2:** Sustainable development (Kyoto protocol) **3:** Venture capital for early business **4:** Spending on R&D.	Lisbon objectives play a major role in Austria's economic policy and Lisbon is explicitly mentioned and integrated into official Government policies. The Austrian Government has a ranking system and an ambition to go from currently 5th place to top 3. This has caused reforms within many fields *(especially see next column)*.	**1:** Structural reforms of health care and pension systems **2:** Economic growth **3:** Realisation of the common market (liberalisation) **4:** R&D attractiveness **5:** Life-long learning **6:** Entrepreneurship *(The issues are not listed in prioritised order)*	A partnership approach is adopted both because it makes sense to involve different partners *(centrally and locally)* in the process and because responsibility for several areas impacted by Lisbon policy are areas of responsibility that falls under regional authorities.	There are complementarities between national plans and regional plans for exploitation of SF, which again has overlaps with Lisbon. Especially, the Objective 3 programme has been designed with the aim of realising the NAP-Employment.

SF Part - Regional level									
5: Overall degree of complementarity between SF and Lisbon		**6: Percentage of Structural Funds used for Lisbon Strategy themes**	**7: Most important Lisbon Strategy themes supported at regional level via SF**	**8: Complementarities between regional challenges, Structural funds priorities and Lisbon Strategy themes**		**9: Adjustment of structural funds programmes towards inclusion of Lisbon Strategy themes as a consequent of mid-term revision**	**10: Character of non-Lisbon funded activities.**	**11: Process effects**	
5.1: Score	**5.2: Lisbon themes included (pos) and not included (neg) in main SF programmes**			**8.1: Complementarities between regional challenges and Structural funds priorities at regional level**	**8.2: Complementarities between regional challenges and Lisbon Strategy themes at regional level**			**11.1: Strategic thinking**	**11.2: Partnerships**
Medium There are complementarities between SF exploitation and Lisbon – especially in regard to realising NAP-employment via Objective 3. However, significant areas are only addressed indirectly. E.g. R&D, but this is due to R&D as defined in Lisbon it too advanced to work in rural regions.	**Pos:** Employment, business development, Human capital **Neg:** IT Infrastructure investments, R&D (Lisbon R&D is too advanced for rural regions), Social inclusion and Sustainable development integrated into other priorities, but are not significantly addressed directly.	N/A. Based on the information contained in the case study it is impossible to calculate the percentage of SFs that goes for activities directly relevant for Lisbon. The main reason for this is lack of structured information at regional level for the Objective 2 programme.	**1:** Research & Development **2:** Sustainable Development **3:** Business Development	**High** There is direct congruency between the regional challenges and the structural funds priorities.	**Medium/high** Generally it seems that there is good congruency between the regional challenges and the themes and priorities pointed out in the Lisbon Strategy as an answer to these challenges. The Austrian case study contains furthermore two important findings. R&D is important and is also to some extent included in the SF programmes. However, a difference in level of ambition between R&D as part of SF regional development plans and R&D as part of the Lisbon Strategy is found. It is highlighted that the very advanced type of R&D that is included into the Lisbon Strategy is far too advanced for companies in the Austrian case study region.	N/A	E.g. Transport infrastructure.	In general, in Austria there is an understanding of the need for a strategic approach to development and the coordination of SF has been institutionalised, which have had a positive impact on the coordination and strategic planning governing SF exploitation.	In Austria there are clear linkages between the central and local level in coordination of SF, but it is unclear the extent to which other partners outside the political-administrative level are included directly. The existence of SF has been a driver for development of these new types of partnerships.

COUNTRY AND REGION: Denmark, Bornholm (Objective 2)

LISBON Part - National level					
1: Status		**2: Significance - how/which fields.**	**3: Key priorities**	**4: Regional integration in Lisbon**	
1.1: Overall strategy	**1.2: Main challenges**			**4.1: Partnership approach**	**4.2: Integration LS/SF**
Denmark performs well in realising most of the Lisbon targets. The reason for this is that Lisbon is seen as a prolongation of Danish policy in the 1990. Especially within employment/labour market, ICT and RTD policy Denmark is on line with the targets and Lisbon measures are compliant with Danish initiatives. In regard to social inclusion, Denmark reached the goals way before Lisbon. The Danish implementation of Lisbon focuses on openness and transparency with a involvement of social partners and integration of policies from different relevant Ministries.	Integration of immigrants/refugees within the labour market Early retirement age Sustainable development	**1:** Lisbon is seen as an important driver for reforms, especially seen as needed in other EU countries, thereby heightening their status, from which Denmark will benefit. **2:** Lisbon receives much attention within the Danish administration but difficult to establish a clear causal relationships between Lisbon and political initiatives and these are in prolongation of existing Danish policy.	**1:** Especially political initiatives related to "research and development", "employability", "business development" and "life-long learning" **2:** No recent initiatives related to social inclusion, but this is integrated into the employment area and no vulnerable groups really exists compared with Europe. **3:** Focus on promoting Sustainable Development, but not much has happened in terms of political reforms.	A partnership model is adopted and especially the social partners are active in contributing to the Danish Lisbon implementation. This in order to avoid formulating policy in a vacuum. Regional partners are invited but it is not estimated that they contribute much and play a significant role.	The structural funds are not included in the Danish debate and initiatives concerning Lisbon. There is complementarities between Lisbon, structural funds and other national initiatives, but this has not happened via a focused national integration.

SF Part - Regional level										
5: Overall degree of complementarities between SF and Lisbon		**6: Percentage of Structural Funds used for Lisbon Strategy themes**	**7: Most important Lisbon Strategy themes supported at regional level via SF**	**8: Complementarities between regional challenges, Structural funds priorities and Lisbon Strategy themes**		**9: Adjustment of structural funds programmes towards inclusion of Lisbon Strategy themes as a consequent of mid-term revision**	**10: : Character of non-Lisbon funded activities.**	**11: Process effects**	
5.1: Score	**5.2: Lisbon themes included (pos) and not included (neg) in main SF programmes**			**8.1: Complementarities between regional challenges and Structural funds priorities at regional level**	**8.2: Complementarities between regional challenges and Lisbon Strategy themes at regional level**			**11.1: Strategic thinking**	**11.2: Partnerships**
Medium/High. Complementary exist and funding is given to projects with content relevant for Lisbon targets.	**Pos:** Employment, business development, entrepreneurship **Neg:** Social inclusion, sustainable development. Issues are included, but more as an horizontal effect.	Roughly **80%** of objective 2 is used for activities falling within the Lisbon Strategy themes. The figure is estimated to be around 50% for other programmes, notably Leader+, Equal and Interreg.	**1:** Research & Development **2:** Business development **3:** Human Capital Development	**High** There are very significant complementarities between the regional challenges and the prioritised areas in the structural fund programmes, notably Objective 2. Objective 2 priorities are identified based on a through regional SWOT analysis, which is regularly updated. It is the same people and regional organisations that are involved in outlining the SWOT and identifying SF priorities and thus good integration and continuity is secured.	**Medium/High** The Lisbon Strategy is very broad and does also include aspects which are deemed important in relation to the regional SWOT analysis that forms the background for identification of SF prioritised areas. Thus, the SF programme does to a significant degree reflect Lisbon Strategy themes, but this happens incidentally and in retrospect. The main document that forms the backbone for SF prioritised areas is the regional SWOT analysis. The current SWOT upon which the current generation of SF programmes are build upon was outlined before the advent of the Lisbon Strategy.	There is no evidence that the structural funds programmes at Bornholm has been oriented more or less towards reflecting Lisbon themes as a consequence of mid-term evaluations.	E.g. Cultural heritage, physical infrastructure.	Obj. 2 is based on a regional SWOT and thus close integration between regional challenges and SF. The SWOT is based on good analytical work, which is updated regularly. Consequently, SF has contributed to boosting the capacity for strategic thinking.	In developing the regional SWOT a partnership principle has been adopted, including public authorities, private companies, academics and central administrative staff. The same group is involved in project selection as well as programme definition.

COUNTRY AND REGION: United Kingdom, West of Scotland (Objective 2)

LISBON Part - National level					
1: Status		**2: Significance - how/which fields.**	**3: Key priorities**	**4: Regional integration in Lisbon**	
1.1: Overall strategy	**1.2: Main challenges**			**4.1: Partnership approach**	**4.2: Integration LS/SF**
UK is either at or beyong the targets relating to competitiveness and employment, but is lagging behind when it comes to social inclusion, sustainability and to a lesser extent eSociety. UK is behind on R&D but initiatives are on its way to improve the situation. Lisbon is not being addressed overtly *(EU initiatives are downplayed in the UK)*. However, Lisbon is seen as a direct prolongation of existing British policy and thus reinforces existing policy.	1: Productivity of SMEs and entrepreneurship. 2: Social inclusion, gender pay gap. Creating a coherent view of what Lisbon really is about. Lack of this makes it hard to co-ordinate. Better integration of sector policies is needed.	Lisbon is important, but since Lisbon is extremely close to the UK Government's key policies is it hard to set apart what is influenced by Lisbon and what from national policy. Initiatives has been launched and implemented in most fields, except lack of focus on lifelong learning, IT skills and enlarging the workforce. These aspects are politically salient, but no reforms has been implemented, which is not the case for the remaining aspects.	All Lisbon objectives are seen as important as they will impact British competitiveness. Especially, focus on skills, IT, employability, R&D.	Scotland is in a special situation, and the policy is being formulated in Westminster. However, there is co-operation between Westministe and Scotland and the country makes its own contribution to the UK NAPs. Within Scotland few, if any, regional authorities are contributing to the Lisbon process. On the other hand, the SFs are the implementation instrument for Lisbon and regional actors are deeply involved in the programming and implementation of this.	Somewhat integration. The Scottish administrator of Obj.2 has taken into account the NAP employment in the programming of Objective 2 where appropriate compared with the specific regional challenges. However, no evidence that the administrator has had any impact on the NAP. A top-down approach.

SF Part - Regional level										
5: Overall degree of complementarities between SF and Lisbon		**6: Percentage of Structural Funds used for Lisbon Strategy themes**	**7: Most important Lisbon Strategy themes supported at regional level via SF**	**8: Complementarities between regional challenges, Structural funds priorities and Lisbon Strategy themes**		**9: Adjustment of structural funds programmes towards inclusion of Lisbon Strategy themes as a consequent of mid-term revision**	**10: Character of non-Lisbon funded activities.**	**11: Process effects**	
5.1: Score	**5.2: Lisbon themes included (pos) and not included (neg) in main SF programmes**			**8.1: Complementarities between regional challenges and Structural funds priorities at regional level**	**8.2: Complementarities between regional challenges and Lisbon Strategy themes at regional level**			**11.1: Strategic thinking**	**11.2: Partnerships**
High There are complementarities between Lisbon objectives and SFs in most fields and it seems that most funds are directed at measures which are directly relevant for Lisbon.	**Pos:** Competitiveness/business development and in particular addressing the needs of SMEs, Human capital, social inclusion, and IT. **Neg:** Sustainable development, Employment as a horizontal indicator (outcome effect of other measures).	Based on the case it is difficult to provide an exact figure on the SFs contribution to the Lisbon Strategy. The reason for this is that the SF programmes covers geographic areas, which are larger than the region included in this study. However, based on the information included in the case study, **68%** of SFs are used for activities relevant for the Lisbon Strategy.	**1:** Social Inclusion **2:** Business Development **3:** Research & Development, and Information Infrastructure *(scores for these areas are equal)*.	**High** The is a direct line between the areas given the highest amount of SF funding and the most important challenges identified in the region.	**Medium/High** Yes there is complementarities between the regional challenges, the SF priorities and the Lisbon themes – this especially if we treat all Lisbon themes as equally important. However, some points out that the Lisbon Strategy primarily is a strategy for economic growth and in this sense an area such as Social inclusion is less important. If we accept this, then it is fair to say that there is only "medium" congruency between the regional challenges in the Scottish region and Lisbon. Funds are used for social inclusion, but the "spirit" of Lisbon would require more focus on R&D.	Whilst a number of changes have been recommended within the mid-term evaluations for all SF programmes, the majority of these concerns could be described as the 'mechanics' of implementing the Programmes rather than changes to the substance of Programmes.	E.g. Community regeneration, Brownfield development.	Not much info, but it is felt that the SFs have helped contribute to the development of a common understanding within the region and a professionalisation of work, especially as a result of the partnerships working. On the other hand it is highlighted that this may not be due to the existence of SFs but simply as a consequence of devolution.	Partnerships are important and the organisation responsible for implementation of objective 2 in Scotland. More than 200 organisations are contributing to outlining the implementation of Obj 2 in Scotland.

COUNTRY AND REGION: Sweden, Norra Norrland (Objective 1)

LISBON Part - National level					
1: Status		**2: Significance - how/which fields.**	**3: Key priorities**	**4: Regional integration in Lisbon**	
1.1: Overall strategy	**1.2: Main challenges**			**4.1: Partnership approach**	**4.2: Integration LS/SF**
Sweden's position in relation to most Lisbon objectives has been met. There are some minor problems with reaching the targets on sustainable development. Lisbon is viewed as a strategy for Sustainable growth, which forms the basis for a further balanced development of the society and welfare system. Despite that objectives has been met, Sweden is moving on and are using Lisbon as a means for increasing balanced economic growth.	Has reached most of the objectives (except all sustainability indicators) and thus no real challenges. Sweden is very dependent on other countries and a challenge is thus to put pressure on other countries so they move on, from which Sweden will benefit. Sweden is, however, currently looking at welfare reforms, active labour market policy and lifelong learning.	Lisbon is stressed to be important, but difficult to directly link Lisbon to any specific reforms. Especially Lisbon is seen as an important instrument for pacing development in other countries as Sweden economic development is dependent on their prosperity. Thus stronger focus on European level Lisbon policy, than national implementation.	It seems Sweden is mostly interested in Lisbon as a means to carry through necessary reforms in other countries. However, in Sweden they prioritise further balanced economic growth, and this is seen in prolongation of Lisbon. Special focus on 1) labour market and 2) welfare reforms as well as 3) lifelong learning. "business as usual", but now a reference to Lisbon is inserted.	A partnership model is used sometimes, but is not generally applied. Especially labour market organisations are involved in the NAP Employment, but as no real Lisbon implementation processes are needed, this has somewhat superficial nature. Few organisations in Sweden has a clear attitude towards Lisbon.	Few explicit references to Lisbon in current generation of SF. SFs are not seen as a tool for implementation of Lisbon at regional level. However, some links exists between the NAP employment and Objective 3 and EQUAL. These links are considered weak. However, SF measures are to a large extent compliant with Lisbon objectives – thus strong synergies and complementarities.

SF Part - Regional level									
5: Overall degree of complementarities between SF and Lisbon		**6: Percentage of Structural Funds used for Lisbon Strategy themes**	**7: Most important Lisbon Strategy themes supported at regional level via SF**	**8: Complementarities between regional challenges, Structural funds priorities and Lisbon Strategy themes**		**9: Adjustment of structural funds programmes towards inclusion of Lisbon Strategy themes as a consequent of mid-term revision**	**10: Character of non-Lisbon funded activities.**	**11: Process effects**	
5.1: Score	**5.2: Lisbon themes included (pos) and not included (neg) in main SF programmes**			**8.1: Complementarities between regional challenges and Structural funds priorities at regional level**	**8.2: Complementarities between regional challenges and Lisbon Strategy themes at regional level**			**11.1: Strategic thinking**	**11.2: Partnerships**
High There are significant complementarities between SFs in the region and Lisbon objectives. Only areas not covered are sustainable development and social inclusion. Employment is not mentioned directly, but is used for most programmes as a horizontal indicator. As for sustainable development, this is integrated into other measures, but seems to play a less important role.	**Pos:** Business development, human capital, IT, R&D (long term effects). **Neg:** Sustainable development, social inclusion/gender equality. *(Notice that these aspects are included in the Community Initiatives programmes and only a limited proportion of the total SF budget is reserved for activities falling within these themes).*	It is highlighted that roughly **78%** of structural funds are allocated for activities and measures directly relevant for Lisbon.	**1:** Business Development **2:** Research & Development **3:** Information Infrastructure	There is full congruency between the regional challenges and the SF priorities.	**High** There is a high degree of complementarities between the regional challenges and the Lisbon Strategy. I.e. the themes set out by the Lisbon Strategy seems to be relevant for solving the challenges identified in the region.	No significant changes have been made to any of the structural fund programmes working in the region as a consequence of recent mid-term evaluations. Minor technical revisions has taken place, but these does not significantly make the programmes more or less relevant in relation to Lisbon.	Sámi business development, incl. Reindeer breeding.	Good institutionalisation of strategic thinking with the establishment of “regional growth agreements”, which integrates regional actors in a committee to plan for regional development. This started in 1997 before Lisbon, but these committees are also responsible for SFs and thus integration between SFs and national initiatives into a common framework.	Partnership principle has promoted a shared understanding among different stakeholders. This takes place under the “regional growth programme”, which collects stakeholders and different SFs and national programmes under one common umbrella. Thus convergence between different programmes via partnerships.

COUNTRY AND REGION: Germany, Sachsen-Anhalt (Objective 1)

1: Status		2: Significance - how/which fields.	3: Key priorities	4: Regional integration in Lisbon	
1.1: Overall strategy	**1.2: Main challenges**			**4.1: Partnership approach**	**4.2: Integration LS/SF**
Of main priority for the federal government are labour market reforms and the reforms of the social security systems (Agenda 2010) on the one hand and the strengthening of the innovation potential of the German national economy on the other. Therefore, in Germany, the Priority of the Lisbon Strategy is directed at those areas that are relevant to the labour market and research and development. Initiatives has been launched, but it is very difficult to directly link this to the Lisbon Strategy. The Strategy is largely unknown to the German public.	The still uncompleted "Aufbau Ost", unemployment, re-structuring of the social security system, demographic development problems.	The issues of the Lisbon Strategy are, as already mentioned, also the significant issues of German politics. Therefore there are extensive overlaps between the Lisbon Strategy and the reform program of the federal government. It is very difficult to decide whether reform measures are being applied in Germany on the basis of the Lisbon Strategy or simply because the necessity for these reforms has been identified within the country regardless of the Lisbon Strategy. Despite this, initiatives has been launched, focusing on structural reforms for growth and employment, federal institutional change etc.	The issues of the Lisbon Strategy are also the most significant issues of German politics. Current Priority for the federal government are labour market reforms and the reforms of the social security systems (Agenda 2010) on the one hand and the strengthening of the innovation potential of the German national economy on the other.	The federal states are formally involved to some degree with respect to the Lisbon Strategy and its implementation. Thus, the federal states are involved in the development of the NAPs under the auspices of the Federal Ministry of Economics and Labour and the Federal Ministry of Health and Social Security. Private organisations are less involved in the planning and implementation of the Lisbon Strategy. Germany is, on the other hand, a strongly consensus orientated society so that the social partners and other important society groups usually are being involved in the preparation of reforms.	There have been no attempts aimed at drafting versions of the Lisbon Strategy at the level of federal states translating the Lisbon objectives into federal state objectives. The federal state of Sachsen-Anhalt did not set out its structural policy in 100% compliance with the Lisbon Strategy as the relevant OP had been developed and prepared prior to the introduction of the Lisbon Strategy. However, still there is much congruence between the priorities and measures in the OP and the Lisbon Strategy, but this is because there is congruency between regional challenges and the Lisbon Strategy themes.

SF Part - Regional level										
5: Overall degree of complementarities between SF and Lisbon		**6: Percentage of Structural Funds used for Lisbon Strategy themes**	**7: Most important Lisbon Strategy themes supported at regional level via SF**	**8: Complementarities between regional challenges, Structural funds priorities and Lisbon Strategy themes**		**9: Adjustment of structural funds programmes towards inclusion of Lisbon Strategy themes as a consequent of mid-term revision**	**10: : Character of non-Lisbon funded activities.**	**11: Process effects**	
5.1: Score	**5.2: Lisbon themes included (pos) and not included (neg) in main SF programmes**			**8.1: Complementarities between regional challenges and Structural funds priorities at regional level**	**8.2: Complementarities between regional challenges and Lisbon Strategy themes at regional level**			**11.1: Strategic thinking**	**11.2: Partnerships**
Medium/High There seem to be a significant degree of complementarities between the priorities outlined in the SFs programmes in the region and the Lisbon Strategy. However, this is not because the programmes has been purposefully integrated, but because the challenges faced by the region are compliant with the Lisbon Strategy themes.	**Pos:** Business development, Research and Development, Human Capital Development. **Neg:** Sustainable development, Social inclusion *(however, these issues are to some extent covered by other themes. Ffew activities explicitly focusing on Sustainable Development and Social Inclusion has been included).*	Roughly **67%** of the SF are used for activities relevant for the Lisbon Strategy.	**1:** Business Development **2:** Research and Development **3:** Human Capital Development	**High** The is a direct line between the areas given the highest amount of SF funding and the most important challenges identified in the region.	**Medium/high** Generally there is complementarities between the regional challenges and the Lisbon Strategy. However, as the "AufBau Ost" is still incomplete, some funds are reserved for basic infrastructure construction, which is not directly compliant with the Lisbon Strategy.	There is no evidence that recent mid-term evaluation has resulted in significant changes of priorities. There may have been minor technical changes to minimise bureaucracy.	E.g. traffic infrastructure.	The Structural Funds programs also contribute to a professionalization of the public service. Modern administrative structures are being promoted, obsolete bureaucratic procedures scrutinised and the administration is forced to apply coherent standards. The integrated approach of the Structural Funds also improved the capabilities and gave food for strategic thinking in the region.	With the formulation and implementation of the SF policy in Sachsen-Anhalt the federal state also adheres to the partnership principle. The social partners, in particular, play an important role and are supplemented by chambers and several stakeholders (e.g. for environment, equal opportunities etc). At times, programs are being initiated on request of the partners if they make political sense. Certain labour market programs can be sourced back to the social partners as, for example, the skilled worker program proposed by the employer's federa-tion.

COUNTRY AND REGION: Italy, Campania (Objective 1)

1: Status		2: Significance - how/which fields.	3: Key priorities	4: Regional integration in Lisbon	
1.1: Overall strategy	**1.2: Main challenges**			**4.1: Partnership approach**	**4.2: Integration LS/SF**
Italy still have a way to go in realising most of the Lisbon objectives – especially in regard to employment (females/seniors), IT, R&D and business development. However, there are evidence that Italy is in a positive development – in particular within the fields of IT and employment (females/seniors). Intermediate targets in the NAP has proven to be too optimistic. Lisbon is included and reformulated into important national and regional initiatives, and hereby a prioritisation of targets is also established. However, significant socio-economic differences between north and south, makes different priorities relevant in different regions. IT=North, employment=south.	Italy is struggling to meet the challenges, but there are significant differences between the North and the South, which impacts priorities in the national and regional implementation of Lisbon. Employment (gender gap), Investments in business development, Research and development, Social inclusion (poverty)	Lisbon is being addressed in Italy. This happens via integration of Lisbon priorities into national and regional initiatives, which again guides SF exploitation (notably Obj.1). Thus there are links back from SF to Lisbon, but this happens via a national/regional prioritisation and thus a selection of what is important and what is not. Main areas where Lisbon has contributed to reforms are 1) employment, 2) research and technological development and 3) Innovation and digital technology.	Areas where specific initiatives have been taken in relation to Lisbon are 1) innovation and digital technology. Furthermore focus on 2) R&D and 3) employment. Especially for R&D it is seen as very important and there are plans for directing more funds to this field, but this has yet to materialise *(even evidence that funding is taken away from the field)*	In the national implementation of Lisbon, there is a significant partnership approach between thematic national and regional programmes. These programme committees co-operate and thus there is integration between the national and regional level and between the different themes. However, it is unclear which persons are involved in these programme committees and exactly how the coordination takes place.	Italy has taken an inclusive approach in implementation of Lisbon, where Lisbon is integrated into national initiatives and priorities, which subsequently guides SF exploitation. This takes place within the CSF framework and thus there are links between Lisbon and SF, but this happens via a regional prioritisation.

SF Part - Regional level										
5: Overall degree of complementarities between SF and Lisbon		**6: Percentage of Structural Funds used for Lisbon Strategy themes**	**7: Most important Lisbon Strategy themes supported at regional level via SF**	**8: Complementarities between regional challenges, Structural funds priorities and Lisbon Strategy themes**		**9: Adjustment of structural funds programmes towards inclusion of Lisbon Strategy themes as a consequent of mid-term revision**	**10: haracter of non-Lisbon funded activities.**	**11: Process effects**	
5.1: Score	**5.2: Lisbon themes included (pos) and not included (neg) in main SF programmes**			**8.1: Complementarities between regional challenges and Structural funds priorities at regional level**	**8.2: Complementarities between regional challenges and Lisbon Strategy themes at regional level**			**11.1: Strategic thinking**	**11.2: Partnerships**
Medium There are complementarities between the Lisbon Strategy and SFs in the region and they are working on improving this, taking into account the special challenges posed upon the region.	**Pos:** ICT, Business development (entrepreneurs, SMEs), R&D **Neg:** Employment (females/seniors), Social inclusion, Human capital, Sustainable development (employment and social inclusion included as horizontal themes).	According to the information provided in the case study, roughly **33%** of SFs are used for activities relevant for the Lisbon Strategy.	**1:** Sustainable Development **2:** Human Capital Development **3:** Business Development	**High** There is a clear link between the regional challenges and the SF priorities. In the case it is mentioned, that the themes set out in the Lisbon Strategy may be very relevant and good – also for the Campania region. However, the ambitions in Lisbon may be far too advanced compared with the current business situation in the region.	**Low/medium** There is some evidence that Lisbon is targeted in words but not in action. In the description much focus is on R&D, business development – i.e. the core areas of the Lisbon Strategy. However, in practice it seems that a substantial part of the funding is given to "transportation/infrastructure", which hardly falls within the Lisbon Strategy.	The regional SF plans does already to some extent include themes relevant for the Lisbon Strategy. However, with the current mid-term review the CSF managing authority are working actively on introducing the Lisbon themes more directly and realign the SF measures with the strategy. They wish to design an overall strategy enabling to introduce the Lisbon themes as major drives of an effective cohesion policy.	E.g. Local development, tourism and development of cultural attractions.	The existence of SF has resulted in a certain professionalisation of the regional civil servants in terms of acquisition of new skills and competencies, establishment of adaptive managerial procedures, set-up of coordination and administrative procedures and methods. Key words in SF management are: reinvigorating expertise of regional officers, establishing well-defined rules of management, transparency of procedures, inter-disciplinary working groups and reinforcing the idea of the regional authority as a territorial government with precise responsibilities.	No direct information, but it is highlighted that the programming committees consist of persons from both the private and public sector. Furthermore it is highlighted that the existence of structural funds and the integration between national and regional policies has meant new types of cooperation and responsibility between central and regional authorities.

COUNTRY AND REGION: Spain, Extremadura (Objective 1)

LISBON Part - National level					
1: Status		**2: Significance - how/which fields.**	**3: Key priorities**	**4: Regional integration in Lisbon**	
1.1: Overall strategy	**1.2: Main challenges**			**4.1: Partnership approach**	**4.2: Integration LSF**
In the context of the Lisbon Strategy, three of the basic pillars in the Spanish policy had an interesting positive effect. These are policies for employment, social inclusion and for Information society.	Objectives related to sustainable development and investment in business development show the lowest development rate. Concerning the level of education, 66,6% of the population have completed upper secondary level education at the age of 22. The literacy proficiency level 1 or lower for students according to PISA data 2000 is 16,3%. The highest illiteracy level is in the Region of Extremadura, where the share is 25 %. Data related to groups between 18-24 years old have not been found	The most important Lisbon Objectives implementation achievement in Spain is related to the employment target. Actions carried out to improve employment have led to a growth in employment surpassing many of the Member States, bringing Spain up to an average EU employment level. The largest improvements have been in female employment and the employment of long-term unemployed.	Currently it is difficult to assess priorities and definitions related to the Lisbon Strategy due to the recent change of government in Spain. The previous Government had some initiatives related to educational policies, infrastructure, and social cohesion. Following the last general elections, some of these initiatives have stopped or been changed, and others such as greenhouse gas emission and equal opportunities are being adopted in other policy areas. Changes have occurred for example with regard to education and infrastructures.	The planning of the global objectives of the Multiregional Action Plans is carried out by National organisations. Certain decision-making authority related for example to healthcare, education is delegated from the national administration to the Regional Governments. The particular delegated authorities are different in each region, as they are the result of a bilateral agreement in the framework of the Statute for Autonomy. Private organisations have been involved in the planning, management, and implementation of some regional Action Plan programs. The planning of the objectives was carried out by both public and private organisations.	There exists no national or regional coordinating organisation between the Structural Funds and the Lisbon Strategy, but the Lisbon objectives are already taken into account to a great degree in planning the different programs.

<table>
<tr><th colspan="10">SF Part - Regional level</th></tr>
<tr><th colspan="2">5: Overall degree of complementarities between SF and Lisbon</th><th rowspan="2">6: Percentage of Structural Funds used for Lisbon Strategy themes</th><th rowspan="2">7: Most important Lisbon Strategy themes supported at regional level via SF</th><th colspan="2">8: Complementarities between regional challenges, Structural funds priorities and Lisbon Strategy themes</th><th rowspan="2">9: Adjustment of structural funds programmes towards inclusion of Lisbon Strategy themes as a consequent of mid-term revision</th><th rowspan="2">10: Character of non-Lisbon funded activities.</th><th colspan="2">11: Process effects</th></tr>
<tr><th>5.1: Score</th><th>5.2: Lisbon themes included (pos) and not included (neg) in main SF programmes</th><th>8.1: Complementarities between regional challenges and Structural funds priorities at regional level</th><th>8.2: Complementarities between regional challenges and Lisbon Strategy themes at regional level</th><th>11.1: Strategic thinking</th><th>11.2: Partnerships</th></tr>
<tr><td>Low

There are certainly a degree of complementarity between the areas prioritised in SF funding and the Lisbon themes. However, the most significant part of the funding are reserved for activities with either falls directly outside the Lisbon Strategy or only contributes in highly in-direct ways.</td><td>Pos: Business development, Human capital development

Neg: Research & Development, Social Inclusion. Sustainable development is included, but can be questioned as the activities only contributes in-directly to the Lisbon Strategy objectives.</td><td>Roughly 32% of the SF are used for activities relevant for the Lisbon Strategy.</td><td>1: Human Capital Development
2: Business Development</td><td>High

The is a direct line between the areas given the highest amount of SF funding and the most important challenges identified in the region. This is especially highlighted by the fact that a large amount of funding is going for infrastructure development, which is highly needed in the region.</td><td>Low

There is a limited degree of complementarities between the regional challenges and the Lisbon Strategy. Most funds are used for infrastructure development, which may in turn provide the background framework for development of the Lisbon Strategy objectives.</td><td>There is no evidence that recent mid-term evaluation has resulted in significant changes of priorities.</td><td>E.g. Physical Infrastructure, Tourism.</td><td>The special characteristics of the regionalisation in Spain allow that a part of the actions carried out for the different areas are planned and implemented by the Regional Government. This has resulted in the regional departments acquiring abilities and skills needed for managing European resour-ces. One of the most important benefits obtained related to Structural Funds has been capacity building in the planning and management of projects, both at a Regional level and at the level of different local adm.and organisations.</td><td>The Community Initiatives involve different organisations at regional level and at local level. Other initiatives have allowed for co-ordination between different regions and countries. The region of Extremadura has not used these collaborations to a great extent, and generally the international collaborations have been with Portugal.</td></tr>
</table>

COUNTRY AND REGION: Portugal, North region (Objective 1)

LISBON Part - National level						
1: Status		**2: Significance - how/which fields.**	**3: Key priorities**	**4: Regional integration in Lisbon**	
1.1: Overall strategy	**1.2: Main challenges**			**4.1: Partnership approach**	**4.2: Integration LS/SF**
Portugal is still behind on all indicators, and for some there have even been a negative development in recent years. The reason for this is the development in international conjunctions coupled with lack of horizontal integration coordination of different sector policies. Difficult to work on Lisbon, when much national effort is given to reducing the public budget deficit to less than 3%. Currently they are saving money and Lisbon is in the background, but perhaps when bigger countries are also having the 3% problem, Portugal should look ahead and accept a deficit and invest money in important Lisbon priorities.	All. Especially problems with R&D, education differences, qualifications and business investments are mentioned as important challenges.	Difficult to say that Lisbon is significant at all. After Lisbon a monitoring groups was established but a change of government meant that this monitoring group was closed and no alternative was established. Lisbon is today integrated into national initiatives, but it seems that with the current government no direct references are made to the Lisbon Strategy. It is placed in a sort of vacuum. Focus is mostly on enabling Portugal to comply with the Stability and Growth pact.	The key priority in Portugal seems to be fulfilling the stability and growth pact and the Lisbon Strategy does not seem to play an important role in this. This has negative impact on an important Lisbon aspect such as investments in R&D. Despite this, some minor initiatives with relevance for Lisbon is seen in Portugal. Focus on business development, flexibility and social inclusion.	It seems that there are partnerships between national and regional levels – primarily because the regional authorities are subdivisions of the national administration. There is not much evidence that regional actors outside the political/administrative system are much involved in the process.	In Portugal, priorities for regional development were formulated via PNDES and later PDR. These are national plans, which does not at all include Lisbon. With the third CSF, however, these plans (PNDES and PDR) were integrated into one common plan – regional operational programme. Despite this, it is possible to find complementarities between the national programme and Lisbon, but this has a somewhat incidental nature.

SF Part - Regional level									
5: Overall degree of complementarities between SF and Lisbon		**6: Percentage of Structural Funds used for Lisbon Strategy themes**	**7: Most important Lisbon Strategy themes supported at regional level via SF**	**8: Complementarities between regional challenges, Structural funds priorities and Lisbon Strategy themes**		**9: Adjustment of structural funds programmes towards inclusion of Lisbon Strategy themes as a consequent of mid-term revision**	**10: Character of non-Lisbon funded activities.**	**11: Process effects**	
5.1: Score	**5.2: Lisbon themes included (pos) and not included (neg) in main SF programmes**			**8.1: Complementarities between regional challenges and Structural funds priorities at regional level**	**8.2: Complementarities between regional challenges and Lisbon Strategy themes at regional level**			**11.1: Strategic thinking**	**11.2: Partnerships**
Low It is possible to find complementarities between SF programmes and Lisbon themes, but this is often coincidental. The Lisbon Strategy has not at all been taken into account when formulating the SF priorities. These are based on a national development plan, which has been refined into a regional development plan. There are clear plans for exploitation of SFs but these are only to a limited degree relevant for Lisbon. Instead most money are used on activities, which are deemed relevant for the region as a path for further development, which is not directly compliant with Lisbon.	**Pos:** Business development (entrepreneurship), Competence development. **Neg:** IT infrastructure, Employment (included as a horizontal theme), Social inclusion, Sustainable development.	It is stressed that around 50% of the SF's goes to activities that are relevant for the Lisbon Strategy. However, it is fair to lower this figure to **28%** as approximately half of the funds used for activities relevant for the Lisbon Strategy is related to physical infrastructure investments *(TENs and establishment of physical infrastructure, which <u>may</u> in turn in-directly contribute to the Lisbon Strategy)*	**1:** Human Capital Development **2:** Business Development **3:** Research and Development	**High** The SFs are prioritised via the Regional development plan and thus it is assumed that there is direct linkages between the SF priorities and the regional challenges. This is supported by the fact that roughly 75% of SFs are given to activities that does not fall within the Lisbon Strategy. This is mostly physical infrastructure investments, which are directly addressing the regions structural problems.	**Low** It is evident that the themes outlined in the Lisbon Strategy are only of limited relevance in relation to the structural problems found in the region. This is not to say that business development, competence development and the like is not important, but there are other issues, which are more important. Thus it seems that there is a low degree of complementarities between the regional challenges and Lisbon. Lisbon may on sight be the answer, but not now.	There is no evidence that current mid-term evaluations has resulted in significant adjustments of the programmes or that Lisbon themes has been given *(a higher)* priority.	Physical infrastructure.	The existence of structural funds have improved the ability for strategic thinking and planning at regional level.	There is a good tradition for partnerships at the regional level with integration of various *(regional)* actors. However, there are significant problems with lack of integration and coordination of policies between the central and regional level. This leads to excessive bureaucracy in funding of projects.

COUNTRY AND REGION: Greece, Attica (Objective 1)

LISBON Part - National level					
1: Status		**2: Significance - how/which fields.**	**3: Key priorities**	**4: Regional integration in Lisbon**	
1.1: Overall strategy	**1.2: Main challenges**			**4.1: Partnership approach**	**4.2: Integration LS/SF**
In all the documents of the Open Method of Coordination, it is stated that the emphasis in Greece now, after significant progress made over the last five years towards achieving nominal convergence and closing the growth gap with the EU partners, is on accelerating and sustaining the process of real convergence with the EU and on rapid qualitative upgrading of the system of production.	The main challenge now for Greece is to archive real convergence with the EU. Greece is still behing on all of the Lisbon themes, but at the other hand initiatives has been launched in almost all fields.	In Greece it seems that significant initiatives has been launched in all fields related to the Lisbon Strategy. Difficult to estimate if any fields are deemed more important than others.	All themes seems to be important for the Greek government. Most attention seems to be on business development and employment.	In the Commission related to the national implementation of the Lisbon Strategy, the regional level is represented through the participation of the national associations of Prefectures and Municipalities. The regional authorities (appointed by the state and mostly responsible for implementing national policy and local level) themselves do not participate.	The implementation of the Lisbon Strategy in Greece is mostly related to outlining the formally requested documents (the NAPs). There are clear linkages to the strategy in these documents and the SF financed programmes are the main strategic and financing tools for the attainment of the Lisbon Strategy objectives, even though their planning pase was initiated well before the definition of the Lisbon Strategy. This is mainly due to the common objectives of the SF and the Lisbon Strategy, taking also into account that the Lisbon Strategy, rather than introducing a new set of policies, is a re-launch and reformulation of a set of existing EU priorities as a coherent strategy.

SF Part - Regional level									
5: Overall degree of complementarities between SF and Lisbon		**6: Percentage of Structural Funds used for Lisbon Strategy themes**	**7: Most important Lisbon Strategy themes supported at regional level via SF**	**8: Complementarities between regional challenges, Structural funds priorities and Lisbon Strategy themes**		**9: Adjustment of structural funds programmes towards inclusion of Lisbon Strategy themes as a consequent of mid-term revision**	**10: Character of non-Lisbon funded activities.**	**11: Process effects**	
5.1: Score	**5.2: Lisbon themes included (pos) and not included (neg) in main SF programmes**			**8.1: Complementarities between regional challenges and Structural funds priorities at regional level**	**8.2: Complementarities between regional challenges and Lisbon Strategy themes at regional level**			**11.1: Strategic thinking**	**11.2: Partnerships**
Low Only a limited degree of complementarity between the areas prioritised in SF funding and the Lisbon themes. All areas are included, but the most central (such as R&D, Humand capital and business support) are only included with a very modest budget. The most important acitivities included in the SF programmes of relevance for the Lisbon Strategy is Sustainable development and Tens. Tthe acitivities suppor-ted in regard to sustainable develop-ment lies often at the inter-section between sustainability and infrastructure – e.g. upgrading sanitarian installations and buil-ding ports and railways. Such activities falls outside sustainability in the Lisbon Strategy.	**Pos:** TENs and Sustainable development *(can be discussed)* **Neg:** R&D, Human Capital, Business development, Social inclusion. These aspects are included in the current SF programmes, but only with a very modest budget compared to the other issues.	According to the case study, roughly 36% of the SFs in the region are used for activities relevant for the Lisbon Strategy. However, a significant part of these are used for establishment of physical infrastructure *(TENs and Sustainable development)*, which may in turn in-directly contribute positively to the Lisbon Strategy. However, based on this we have re-calculated the share with point of departure in the information provided in the case study. The revised share is **18%**.	**1:** Sustainable Development **2:** Social Inclusion **3:** Business Development	**High** The priority given on infrastructure development in the framework of the ROP responds to regional deficiencies, as confirmed by the Mid-term Evaluation's conclusions and the interviews conducted with the Regional Authority. It seems fair to direct much attention towards establishing infrastructure seen in the light of the current earthquake and the current Olympics.	**Low** The current generation of SFs are targetting the structural challenges identified in the region, but these are hardly falling within the themes and spirit of the Lisbon Strategy.	As stated by the Managing Authority of the ROP, in the following programming period, the needs of the Region for infrastructure development would certainly be less than the current and previous programming periods, hence, targeting more directly to the Lisbon Objectives could be regarded as beneficial for the Region of Attica. Focus on sustainable development, employment and business support.	Physical infrastructure	It is a common belief that the planning and the implementation of the Structural Funds co-financed Programmes have played a significant role towards the professionalism of the Public Administration of the country and the upgrade of its capacity for strategic thinking and planning. In all Regions the role of the SF has been crucial for the upgrade of the Region's ability to formulate integrated reg. development strategy, and managing complex Programmes.	In the Region of Attica, a Managing Authority has been established, responsible for the implementation of the Regional Operational Programme financed by the CSF. The partnership approach is mainly employed through the Monitoring Committees of the ROP, where the social partners participate with the right to vote.

COUNTRY AND REGION: Ireland (CSF)

LISBON Part - National level					
1: Status		**2: Significance - how/which fields.**	**3: Key priorities**	**4: Regional integration in Lisbon**	
1.1: Overall strategy	**1.2: Main challenges**			**4.1: Partnership approach**	**4.2: Integration LS/SF**
Overall, Irish achievements in relation to the Lisbon targets in the economic and employment areas have been quite substantial. Growth in employment, especially for women, high exit age of older worker, low unemployment. Expenditure on education has increased. As regards business development, performance in the area of venture capital is good. R&D spending is still well below the Lisbon target, but the balance between public and private spending is positive and recently introduced tax credits for R&D expenditure can be expected to further boost the private share. Less progress has been made with the social inclusion and environmental targets.	Social inclusion, groups at risk of persistent poverty. Sustainable development.	In Ireland there is a good governance structure for the implementation of the Lisbon Strategy. Formal initiatives has been launched within most themes – all except social inclusion and sustainable development. However, it is difficult to link these initiatives directly to the Lisbon process as there is a high degree of convergence between existing Irish political priorities and the Lisbon Strategy.	All aspects of the Lisbon Strategy is highlighted as being important in Ireland. It does appear however, that those areas particularly prioritised in the national context tend to be: 1) promotion of economic growth through appropriate macroeconomic policies, mainly focusing on investments in human and physical capital, maintenance of macroeconomic stability and continuation of the structural reform fo product, capital and labour markets, and 2) employment in terms of more and better jobs, and 3) competitiveness as the key to generating and maintaining growth and employment.	No info.	In the Irish context, it is important to recognise that activities supported by the Structural Funds are encompassed within a much larger National Development Plan. This Plan was incepted in 1999 and therefore predates the Lisbon process. As might be expected, the priorities of the National Development Plan reflect specific development requirements in Ireland and, while many of these do align well with the Lisbon process, it is inevitable that some do not.

SF Part - Regional level										
5: Overall degree of complementarities between SF and Lisbon		**6: Percentage of Structural Funds used for Lisbon Strategy themes**	**7: Most important Lisbon Strategy themes supported at regional level via SF**	**8: Complementarities between regional challenges, Structural funds priorities and Lisbon Strategy themes**		**9: Adjustment of structural funds programmes towards inclusion of Lisbon Strategy themes as a consequent of mid-term revision**	**10: Character of non-Lisbon funded activities.**	**11: Process effects**	
5.1: Score	**5.2: Lisbon themes included (pos) and not included (neg) in main SF programmes**			**8.1: Complementarities between regional challenges and Structural funds priorities at regional level**	**8.2: Complementarities between regional challenges and Lisbon Strategy themes at regional level**			**11.1: Strategic thinking**	**11.2: Partnerships**
High There seem to be a high degree of complementarities between the prioritised areas in the CSF and the Lisbon Strategy themes. The reason for this is that the prioritised themes in the CSF stems from a national prioritisation and national policies, which to a very great extent are compliant with the themes included in the Lisbon Strategy.	**Pos:** Employment, ICT, R&D, Human capital, social inclusion. **Neg:** Sustainable development.	N/A. As the SFs are integrated into a National Development Plan, it is difficult to calculate a direct share of the SFs that contributes to the Lisbon Strategy. However, if we take a deeper look at the case study information it is possible to say that at least **50%** of the SFs goes to activities relevant for the Lisbon Strategy.	N/A. Not possible to say as funds are integrated into an overall National Development Plan.	As the SFs are used as part of an overall National Development Plan there is good congruency between the structural funds priorities and the regional challenges.	Overall, there seems to be a substantial degree of congruence between CSF funded activity and the Lisbon Agenda in Ireland and the structural funds are making their contribution towards the achievement of the targets. This is particularly the case in the employment and economic areas, but less so in regard to some of the social and environmental targets.	There is no evidence that recent mid-term evaluation has resulted in significant changes of priorities. There may have been minor technical changes to minimise bureaucracy.	E.g. Investments in public transportation infrastructure.	B/A	N/A