



STRATEGIC PLANNING FOR STRUCTURAL FUNDS IN 2007-2013

A Review of Strategies and Programmes

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PREFACE

The research for this paper was undertaken in preparation for the 20th IQ-Net meeting which took place in Glasgow, Scotland, UK, on 25-27 June 2006. The paper has been written by Laura Polverari, Dr. Irene McMaster, Frederike Gross, Professor John Bachtler, Dr. Martin Ferry and Professor Douglas Yuill.

This paper is the product of desk research and fieldwork visits among national and regional authorities in Member States (notably among partners in the IQ-Net Consortium) and Commission services during Spring/Summer 2006. The field research team comprised:

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In line with standard IQ-Net practice, this paper has been revised following the Glasgow meeting, taking account of the comments of partners and the substance of discussions at the meeting.

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EXECUTIVE SUMMARY

Introduction

With agreement on the financial framework for Cohesion policy in 2007-2013, and the likelihood of the draft Regulations being approved by the European Parliament in July¹, attention is now focused on strategic planning for Structural and Cohesion Funds in the next period. Preparation of the National Strategic Reference Frameworks has been under way for over a year in some Member States and even though Member States are at different stages in the process, progress is such that it is now possible to examine the content of the NSRF drafts and their anticipated implementation arrangements.

The paper starts by discussing the strategic context for the NSRFs - the 'growth and jobs' agenda - and the relationships between these and the Lisbon National Reform Programmes (Section 2). It then examines the process of drawing up the NSRFs, highlighting the different organisational approaches and the current status of the drafting process across Member States (Section 3). Section 4 discusses the scope of the NSRFs, as well as the different strategic orientations of the frameworks, before Section 5 explores the objectives of the NSRFs, dividing the frameworks into three groups and summarising the main priorities of each Member State. Section 6 shifts the focus to the regional Operational Programmes, with brief outlines of the content of IQ-Net partner programmes. The final section concludes by discussing the changes to management and implementation arrangements and the 'drivers' of the changes observed.

Lisbon and the NSRFs

The Spring 2005 European Council agreed on a fundamental re-launch of the Lisbon Strategy, focusing on an agenda of 'growth and jobs' through the mobilisation of national and Community resources. Over the past year, the Commission has set out the Community Lisbon programme and the 25 Member States have submitted their individual National Reform Programmes (NRPs). Cohesion policy is accorded an important role in delivering Lisbon-related EU goals. The contribution of Structural and Cohesion Funds is incorporated in the strategic approach to cohesion foreseen under the 2007-2013 draft Council Regulations. Key to this approach is the new strategic planning system, with the Community

¹ The regulations were approved on 5 and 11 July 2006. Council Regulation (EC) No. 1083/2006 of 11 July 2006 (General Regulation); Regulation (EC) No. 1080/2006 of the European Parliament and of the Council of 5 July 2006 (ERDF); Regulation (EC) No. 1081/2006 of the European Parliament and of the Council of 5 July 2006 (ESF); Council Regulation (EC) No. 1084/2006 of 11 July 2006 (Cohesion Fund); and, Regulation (EC) No. 1082/2006 of the European Parliament and of the Council of 5 July 2006 (on a European grouping of territorial cooperation).

Strategic Guidelines for Cohesion (CSG) at the apex. These require the future Cohesion policy programmes to target resources on three priorities: improving the attractiveness of Member States, regions and cities; encouraging innovation, entrepreneurship and the growth of the knowledge economy; and creating more and better jobs. In response, each country has been drafting a National Strategic Reference Framework (NSRF) in line with the CSG and its NRP. Member States are also being asked to concentrate Cohesion policy on actions that support the 'growth and jobs' strategy via specified 'earmarking' targets. Further, a process of monitoring and reporting under both the NRPs and NSRFs foresees annual reports by the Member States on the contribution of their programmes to Lisbon.

The NRPs were developed by Member States to respond to the Integrated Employment and Economic Guidelines. They address macro economic, micro economic and employment issues, many of which extend well beyond the scope of EU Cohesion policy. In their NRPs, the Member States emphasise three main challenges: to continue public finance reform (in particular reducing budget deficits); to strengthen and increase industrial competitiveness while respecting the need for sustainable resources (focusing on measures to strengthen and increase the competitiveness of the industrial base); and, to increase labour market flexibility.

Whilst in theory there should be a link between the NRPs and the NSRFs, in practice the NRPs and NSRFs vary considerably in the degree to which they involve mutual connections and complementarities. Most NRPs and NSRFs contain broad references to their shared goals, but there is generally much less information on how future Structural Funds programmes will align with, and contribute to, the NRPs and *vice versa*. Only in some countries with significant Convergence funding is the broad assertion of links between the NRPs and NSRFs/OPs supported by more detailed commitments as to how such links will operate in practice. On the other hand, Member States reliant on Regional Competitiveness and Employment support tend to place Lisbon-oriented interventions at the centre of their strategies.

In order to operationalise the link between Cohesion policy and Lisbon, earmarking targets have been set for the Lisbon-related allocation of Cohesion policy expenditure. However, the targets - 75 percent of Cohesion policy resources in the EU15 regions that fall under the Regional Competitiveness and Employment objective and 60 percent of Cohesion policy resources in EU15 Convergence regions - are not legally binding and there are no sanctions for missing them. Moreover, in the new Member States, earmarking is purely voluntary.

Countries like Austria, Belgium, Denmark, Finland, Italy, the Netherlands, Sweden and the UK do not anticipate major problems in meeting the proposed targets. Programmes either meet the relevant targets already or will become strongly Lisbon-oriented in future. In a second group of countries (including the EU15 Cohesion countries), the targets may be more challenging since earmarking could imply a substantial shift in the types of intervention that will be funded. Meeting national earmarking commitments will depend on regions and sectoral ministries delivering on their respective targets, which may be challenging in countries with different types of programme or devolved systems of government.

The ease with which some Member States are able to fulfil earmarking obligations does not depend simply upon the decisions taken by national and regional authorities. The Commission's interpretation of what types of intervention 'count' towards earmarking targets will be an important determinant. Some Member State authorities have been critical of the breadth of the definition of 'Lisbon', while others find Annex IV of draft General Regulation relatively strict.

Strategic links between the NRP and NSRF and earmarking commitments are two key elements of the Lisbon/Cohesion policy relationship. Also important are the mechanisms for strategic follow-up and reporting. In this context a number of concerns have been raised: the practical challenges of meeting separate but related reporting demands, creating considerable potential for complexity and bureaucracy and associated coordination difficulties; the dangers of politicising NSRF and NRP targets and outcomes; concerns that Lisbon-targets may be promoted at the expense of Cohesion policy needs; and the potentially fraught methodological difficulties of measurement and reporting in respect of two broad-based and strategic documents.

Preparing the NSRFs

The *process* of NSRF preparation has varied greatly across the Member States. In most, national authorities have played the lead coordination role. The need to prepare a national strategic document has increased the involvement of central government in strategy development, though there have been efforts to engage regional authorities in the process to varying degrees. On the other hand, in only a few countries (e.g. Belgium and Germany) can the process be described as 'bottom-up'. In contrast, essentially top-down approaches have been followed in Denmark, Ireland, Luxembourg and the Netherlands as well as most of the EU10. More balanced national/regional inputs are recorded in respect of Austria, Finland, France, Greece, Italy, Portugal and the United Kingdom.

There have also been varied approaches to the inclusion of partners in strategy development. Some countries put out drafts for partner consultation; some created national and/or regional working groups; others utilised conferences, seminars, hearings and workshops, while some used external consultants. More targeted and technocratic inputs tended to be associated with limited amounts of funding. More generally, some questions have been raised about the usefulness of partner inputs, given the short timescales involved and the difficulty in retaining strategic focus in the face of diverse inputs.

Opinions vary with respect to the usefulness of the NSRF exercise. For some, it is not clear how far partner consultation fostered a more strategic approach. Problems arose because time frames were too narrow to allow for meaningful input or the draft document was not sufficiently advanced to present a suitable base for discussion. Other difficulties related to the quantity and quality of inputs. In the case of extended consultations, it was often considered challenging to take account of numerous, wide-ranging opinions and some consider that it might have led to a 'watering down' of the strategic content of the document. Where consultation exercises were more restrained or potential partners did not necessarily have the capacity to get fully involved, participation was limited, the quality of

input was sometimes poor and exchanges less constructive. Other Member State authorities are more positive about the input of consultation exercises, regarding them as having helped to generate valuable input and institutional awareness concerning Structural Funds programming.

In the *preparation* of regional OPs, different approaches are found across the Member States. In some (Denmark, Flanders), there is a close link between NSRF drafting and OP preparation, often involving the same (groups of) actors; in others (like Finland, France and England) clear central guidance is given to the regions concerning future programme preparation; and in a number (e.g. Germany, Austria, Italy, Spain, Belgium) regional programmes are prepared largely independently from the centre.

The majority of countries have now produced an ‘official’ draft of their NSRFs and these are already being discussed with the Commission, even if only informally. The Commission has adopted a pro-active stance to ensure the strategic consistency of the NSRFs with its assessment of national development challenges and needs as well as with relevant Community legislation.

NSRF scope and strategic focus

In principle, the NSRFs should: present a strategy chosen on the basis of an analysis of ‘development disparities, weaknesses and potential’; entail a country-wide approach, i.e. a comprehensive, national strategy which applies to both the Convergence and the Regional Competitiveness and Employment regions; and, outline thematic and territorial priorities. In addressing these requirements, the Member States are facing the following key challenges: (i) making strategic choices; (ii) creating nation-wide strategies; (iii) territorialising investment choices; (iv) deciding on the strategic direction; (v) finding a balance between equity and efficiency; (v) and achieving coherence with domestic policies.

Interview and documentary research suggests that the NSRFs are not as strategic as the draft General Regulation might imply. Current versions tend to be relatively general and sometimes vague. This may reflect the difficulties of producing a document that is, at the same time, both strategic in nature (implying the making of choices) and a framework (covering all possible options). It seems particularly difficult to produce a focused approach where there is a wide range of different eligible areas (Convergence, Phase-out, Phase-in, Competitiveness) or where regional differences are severe (e.g. Germany, Italy, Poland).

For some federal or devolved countries, the drafting of the NSRF has resulted in the creation of a common nation-wide strategy only in relatively general terms. On the other hand, in most countries the NSRF is viewed as a comprehensive, nation-wide strategy while also providing flexibility to the regions to permit adaptations to their specific needs.

The territorial choices of the NSRFs require an acceptable balance in combining longer-term, Lisbon-oriented goals with more short-term, equity-related aspects. This is particularly evident in territorially diversified countries (e.g. Germany, Italy, Portugal, Slovenia). A significant number of countries - such as Austria, France, Greece, Hungary, Italy and Poland - are anticipating some sort of spatial concentration on ‘growth poles’,

‘competitiveness poles’ or ‘excellence poles/systems’, implying a shift from areas in need to areas of potential (also within the areas of need). The territorial choices made in future strategies are particularly sensitive in the Regional Competitiveness and Employment regions and in those Member States which are losing significant amounts of funding (e.g. UK) or where overall Cohesion funding is low (e.g. Denmark, the Netherlands). In some such cases, the territorial choices anticipated in the NSRF are closely related to existing domestic policies (e.g. in the Netherlands). NSRF territorial choices are also crucial in the new Member States and Acceding Countries. Some of these are particularly concerned with the catching-up of their weakest regions (e.g. Latvia, Slovakia, Poland and Czech Republic). Other countries stress national growth, which is targeted by focusing investments in areas which are already ‘winners’ (e.g. the Netherlands). In some of the NSRFs, it is difficult to anticipate what the real territorialisation choices will be as the documents tend to display elements of both approaches (e.g. Denmark). A further problematic aspect which affects resource allocation is the division of funding between national and regional administrations and the weight/rationale attached to national OPs. An emerging trend seems to be a likely further regionalisation of allocations (e.g. in Italy and Spain) and reduction of the number of national OPs.

Taking account of the above caveats, there would appear to be two major strategic shifts. First, there is the explicit ‘Lisbonisation’ of the programmes. This is a common trend across all EU27. For some of the EU15, this is not considered to be an element of particular innovation, since current strategies are considered reasonably well aligned with the Lisbon goals (e.g. Italy and Spain). A second element of relative innovation concerns the preparation of coherent, comprehensive, long-term national development strategies. In the EU10 and Acceding Countries (Bulgaria and Romania) in particular, this is the first opportunity for the development of a comprehensive and long-term strategy which can be linked to clear and certain resources, as the Structural Funds programmes implemented in 2004-06, and pre-accession aid, had a relatively low level of funding - particularly for the smaller EU10 countries - and had to be concentrated on limited, selected investments and instruments.

It is of course difficult to establish the relative weight placed on equity (support to lagging regions) or efficiency (national competitiveness and growth). However, broadly speaking, a first group of countries - namely Austria, Denmark, Ireland, the Netherlands and the UK - seems more concerned with efficiency, whereas most countries appear to be aiming for a balance between competitiveness and cohesion.

Finally, in some Member States the NSRF seems to be more ‘policy-driven’ than ‘needs driven’, e.g. in Denmark, Finland, Ireland, the Netherlands, Sweden and the United Kingdom. By contrast, the countries that have the certainty of a considerable level of future funding from the Structural Funds, like Greece and Italy and the EU10, are rooting their strategies in an *ex novo* reflection of development disparities, problems, challenges and needs. For the new Member States, such reflection has often begun with the preparation of the NDPs, before the launch of the NSRF development process.

The Objectives of the NSRFs

The universal goal of all Member State frameworks is higher national growth and competitiveness. This is, however, addressed or interpreted in different ways by Member States. Seven categories of coexisting, development objectives can be identified:

- a competitive economy, to be achieved mainly through innovation, R&D and the knowledge economy, but also through support to the business sector (in virtually all Member States and in the two Acceding Countries);
- (sustainable) growth and employment (which can be found in basically every country, even when not mentioned explicitly as the main strategic goal of the NSRF, e.g. in Denmark);
- quality of life and/or territorial attractiveness (in Bulgaria, Czech Republic, Hungary, Malta, but also in Austria, Finland, Germany, Sweden and the UK);
- development of human capital and more general societal modernisation (in Bulgaria, Czech Republic, Denmark, France, Germany, Greece, Italy, Latvia, Malta, Poland, Romania, Slovenia and Spain)
- social cohesion (in Bulgaria, Cyprus, Czech Republic, France, Lithuania and Portugal);
- balanced territorial development/sustainable development (in Austria, Belgium, Bulgaria, Czech Republic, France, Italy, Poland, Portugal, Slovakia, Slovenia, Spain and Sweden);
- European or national convergence (an explicit strategic objective in Cyprus, Latvia, Romania, Slovakia for the EU12 and in Germany, Italy and Portugal for the EU15; although European convergence is de facto an overarching objective of the NSRFs of all new Member States)

In order to develop insights into the strategies of each NSRF, the paper presents a synthetic description of the main goals and priorities for each group of countries:

- Regional Competitiveness and Employment strategies - Austria, Belgium, Denmark, Finland, France, Ireland, Luxembourg, Netherlands, Sweden and the United Kingdom;
- Mixed strategies (combining Convergence with Regional Competitiveness funding) - Germany, Greece, Italy, Portugal and Spain. Cyprus is also included in this category since, even though it is eligible to the “Phasing in” provisions, it also receives financial assistance from the Cohesion Fund;
- Convergence Strategies - EU10 -, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia; and the Acceding Countries - Bulgaria, Romania.

The number of priorities varies from a minimum of two (Denmark) to a maximum of 10 (Italy). A high degree of variation emerges amongst the EU25 countries. In some cases, the NSRFs do not specify a common set of priorities for all Objectives and/or funds, but unpack these by fund or Objective or both (e.g. France). For the Regional Competitiveness and Employment countries and for the competitiveness related strategy of mixed countries, the emphasis is placed particularly on the Lisbon goals of innovation, territorial competitiveness, knowledge economy and employment, with priorities focusing on innovation and R&D, entrepreneurship, environmental interventions, and the qualifications of human resources.

The main difference between the above and the Convergence NSRFs (or convergence strategy of mixed countries) lies in the inclusion of priorities for the development of accessibility/transport infrastructures in the latter. Greece, Italy and a number of EU12 countries also emphasise services of general economic interest, market reforms, and the modernisation of the public administration and the service sector. Balanced regional development appears as a separate priority only in a few countries, namely Bulgaria, Cyprus, Estonia, Greece, France (for Objective 3) and Romania. It also appears in Latvia, but as a horizontal priority. Urban development or the development of metropolitan areas and the networking of urban centres also feature in a few countries including Austria, France, Greece, Ireland, Italy, Portugal and Spain from the EU15, but also Poland. Rural development is listed as a priority in Cyprus, Slovakia and Scotland (UK).

Regional Operational Programmes

There is a high degree of variation across the EU27 also with respect to the number and scope of regional, national and multiregional programmes. In comparison with the current programming period:

- in various countries/regions (Cyprus, Denmark, Germany, Ireland, Malta, Wales and Wallonia) the number of programmes is likely to remain unchanged;
- in most new Member States - which have currently one single programme or a limited number of Objective 1 programmes - the 2007-13 period and the higher level of resources will see a rise in the number of sectoral national OPs (e.g. Baltic states, Hungary and Slovenia);
- in some new Member States, the regionalisation of programme implementation responsibilities entails the creation of a higher number of regional OPs (e.g. in Czech Republic, Poland and Slovakia).
- in countries/regions where funding is decreasing, a rationalisation in the programme structure is associated with a reduction of the number of regional OPs (e.g. in Scotland, Flanders and, potentially, in Greece), or of national, sectoral OPs (e.g. Italy, Portugal and Spain);
- implications for the number of regional OPs arise from the mono-fund approach specified in the regulations which results in some cases in a doubling of the programme numbers at the regional level (e.g. in Germany, Spain and in the Italian

Objective 1 regions). In some countries, this is avoided by introducing national ESF OPs (e.g. Austria, Finland, France, the Netherlands and in Flanders). This issue is still unresolved in Germany and Sweden;

- some countries are introducing specific OPs involving several regions, e.g. the Eastern regions in Poland and the Lake Balaton, Tisza river and Danube river in Hungary.

Final decisions on the content of Regional Operational Programmes are at very different stages which is, in part, linked to the overall, national approach to strategy development and, in particular, whether OPs are developed before, in parallel with or after the NSRF.

It is possible to identify some key trends and outline the overall approaches taken by a number of regional OPs. A number of OPs are taking a relatively narrow and focussed approach, reflecting the aim to develop a more targeted strategy, the proposed content of key strategic documents and the practicalities of having fewer resources. This also means that some previously supported interventions are not expected to be included in the new programmes (e.g. in Norra Norrland, Western Finland, Steiermark and Niederösterreich). In contrast, for some programmes which will receive a substantial or increased amount of resources - such as the Hungarian ROP and OP for Śląskie - many areas of intervention can be retained and the scope of the programmes can even be broadened.

In many regions, strategies concentrate on interventions that target what could be termed the 'narrow' interpretation of the Lisbon themes, such as promoting R&D innovation, business-university links, cluster development and networking (e.g. Nordrhein-Westfalen, North East England, Styria, Toscana, Western Finland). In addition to these types of interventions, a number of regions (e.g. Central Macedonia, Hungary, Niederösterreich, Sachsen-Anhalt, Śląskie, Scotland and West Wales) are continuing to fund interventions that address a broader range of interventions, e.g. transport, business start-up and development and community development.

Other key trends in the ROPs are the emerging focus on urban development and focus on the development of growth poles (e.g. Central Macedonia, Hungary, Niederösterreich, Nordrhein-Westfalen, Styria, Toscana, Western Finland) and, in some cases changing approaches to targeting spatial and local development (e.g. Nordrhein-Westfalen).

The paper describes the content and strategic approach of selected partners' ROPs in some detail, discussing first the Convergence partners OPs from Greece, Hungary, Germany and Poland, and then the Competitiveness OPs from Austria, Belgium, France, Germany, Italy and the UK.

The management and implementation of new programmes

To date, most Member States have decided or are about to agree on the future programme architecture and implementation arrangements. In some cases, current implementation arrangements will be largely retained. Elsewhere, significant changes are planned, including the regionalisation of some implementation responsibilities and the rationalisation of some existing systems. Four groups of countries can be identified.

In a first group of countries, it appears that changes to governance and implementation arrangements are likely to be limited. In these cases, existing structures and allocations of responsibilities will be largely maintained, apart from some reorganisation of functions between or within government departments and some systemic changes in co-funding, monitoring etc. This applies to countries with: (i) a centralised approach (e.g. Estonia, Latvia, Lithuania, Malta, Cyprus, Luxembourg), where implementation of EU Cohesion policy is predominantly carried out through line ministries and agencies; (ii) a mixed central-regional approach, with different emphases placed on the national and regional levels (e.g. Finland, France, Ireland, Objective 1 Italy and Spain); and, (iii) a regionalised approach (Austria, Belgium, Germany, most of Italy), with responsibility for implementation retained at the Land level.

In a second group of countries - including Poland, Czech Republic, Slovakia and Hungary - prospective increases in funding, the experience accumulated in the current programming period, and processes of domestic administrative reform are combining to push for a regionalisation of some aspects of implementation.

A third group of countries are those where a reduction in the volume of Cohesion policy receipts will require a rationalisation of implementation structures, through a reduced number of sectoral programmes and central or regional Managing Authorities, or through a new division of responsibilities between levels, e.g. with rationalisation at the central level, between levels and at the regional level.

The final group of countries are those where Structural Funds receipts will be provided almost exclusively under the Regional Competitiveness objective (e.g. Flanders, Netherlands, Sweden, UK). For some, in a context of much reduced funding, this is associated with modifications in the range and/or functions of regional or sub-regional implementing bodies.

Changes to implementation arrangements in the Member States are being driven by a variety of factors. Reorganisation can be triggered by modifications taking place within the overall Structural Funds framework but it can also be linked to domestic reform efforts. Often, change is linked to a combination of the two. Amongst the first group of change-inducing factors are: the different level of funding available to Member States and regions, and the introduction of the mono-fund approach, earmarking requirements and less binding eligibility rules. Amongst the second group of factors are the domestic reforms ongoing in some Member States (e.g. in England, Poland and Denmark) and the desire to more closely link the implementation of European Cohesion policy to that of domestic policies.

In order to be effective, the new management and implementation arrangements need to be supported by all involved actors. Implications arising from the above changes especially relate to: coordination needs; capacity issues; partnership arrangements, and strategic selectivity and concentration efforts. These are similar in nature for many Member States but can take different forms depending on whether an increase or a decrease in funds is taking place.

STRATEGIC PLANNING FOR STRUCTURAL FUNDS IN 2007-2013

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1. INTRODUCTION

With agreement on the financial framework for Cohesion policy in 2007-2013, and the likelihood of the draft Regulations being approved by the European Parliament in July², attention is now focused on strategic planning for Structural and Cohesion Funds in the next period. Preparation of the National Strategic Reference Frameworks has been under way for over a year in some Member States, notably those expecting large Cohesion policy receipts and those who have chosen to undertake wide-ranging, national strategic planning exercises for both EU and domestic regional policies.

Member States are at different stages in the process and have taken varying approaches to developing the NSRFs: some are being drafted within central government, others by regional authorities and many by a combination of the two. In some of the Member States, the concept of a national framework for Cohesion policy is not problematic, especially where a National Development Plan or national spatial strategy already exists. In other countries, it has proved to be much more difficult, particularly in federal countries where the federal government does not have responsibility for regional policy. Although all of the NSRFs are drafted using the 'language of Lisbon', many of the frameworks make only general references to the National Reform Programmes, and the inter-relationships between the two documents are often limited.

The universal goal of all NSRFs is higher national growth and competitiveness, but this is addressed or interpreted in different ways by Member States. Development objectives encompass: a competitive economy; sustainable growth and employment; quality of life and/or territorial attractiveness; development of human capital and more general societal modernisation; social cohesion; balanced territorial development or sustainable development; and European or national convergence. Those Member States benefiting mainly or exclusively from Regional Competitiveness funding tend to have a narrower set of goals (focusing on innovation, R&D and SME competitiveness) than the Convergence countries, whose priority is to address basic development needs related to infrastructure, business development, human capital and the environment. The EU15 Cohesion Countries, benefiting from a mix of the two funding sources, have some of the most difficult strategic

² The regulations were approved on 5 and 11 July 2006. Council Regulation (EC) No. 1083/2006 of 11 July 2006 (General Regulation); Regulation (EC) No. 1080/2006 of the European Parliament and of the Council of 5 July 2006 (ERDF); Regulation (EC) No. 1081/2006 of the European Parliament and of the Council of 5 July 2006 (ESF); Council Regulation (EC) No. 1084/2006 of 11 July 2006 (Cohesion Fund); and, Regulation (EC) No. 1082/2006 of the European Parliament and of the Council of 5 July 2006 (on a European grouping of territorial cooperation).

planning challenges, reflecting complex maps of territorial eligibility and a combination of different development priorities.

Planned changes to management and implementation structures are also becoming clearer. At one end of the spectrum, Member States expecting significantly greater funding are investing heavily in institutional capacity-building. Although much of the funding will be allocated through sectoral programmes, regional bodies will have greater responsibility for managing regional OPs (most notably in Poland). By contrast, for those countries where Cohesion policy resources are diminishing, implementation structures are being rationalised at either central or regional level or through a reallocation of responsibilities between levels.

This paper examines all of these issues in more detail. It begins, in Section 2, by discussing the strategic context for the NSRFs - the 'growth and jobs' agenda - and the relationships between the Lisbon National Reform Programmes and the NSRFs. Section 3 examines the process of drawing up the NSRFs, highlighting the different organisational approaches and the current status of the drafting process across Member States. In Section 4, the scope of the NSRFs is considered, as well as the different strategic orientations of the frameworks. Section 5 explores the objectives of the NSRFs, dividing the frameworks into three groups and summarising the main priorities of each Member State. Section 6 shifts the focus to the regional Operational Programmes, with brief outlines of the content of IQ-Net partner programmes. The final section concludes by discussing the changes to management and implementation arrangements and the 'drivers' of the changes observed.

2. LISBON AND THE NATIONAL STRATEGIC REFERENCE FRAMEWORKS

The European Council in Spring 2005 agreed on a fundamental re-launch of the Lisbon Strategy, focusing on an agenda of 'growth and jobs' through the mobilisation of national and Community resources. Over the past year, the Commission has set out the Community Lisbon programme, identifying actions at Community level, and the 25 Member States have submitted their individual National Reform Programmes (NRPs). According to the Commission's assessment of the NRPs, there is a large convergence of Member State views on the main challenges in areas such as sustainability of finances, labour supply, R&D and innovation, the business environment and environmental sustainability.³ However, the quality of the NRPs was said to be uneven, with some Programmes lacking specific targets and timetables and providing insufficient commitments in areas such as competition and market access. The 2006 Spring European Council took up the Commission's recommendations to agree 'specific areas for priority' action concerning investment in knowledge and innovation, business potential (especially of SMEs), and employment opportunities for priority categories.⁴

Cohesion policy is accorded an important role in delivering the EU goals. The contribution of Structural and Cohesion Funds is incorporated in the strategic approach to cohesion foreseen under the draft Council Regulations for the 2007-2013 period, which are currently being finalised. Key to this approach is the new strategic planning system, with the Community Strategic Guidelines for Cohesion (CSG) at the apex. Setting out the priorities for the new generation of Cohesion policy programmes, the draft CSG require the future Cohesion policy programmes to target resources on three priorities: improving the attractiveness of Member States, regions and cities; encouraging innovation, entrepreneurship and the growth of the knowledge economy; and creating more and better jobs.

The role of the Member States is threefold. First, each country has been drafting a National Strategic Reference Framework (NSRF), in line with the CSG and NRPs. Second, Member States are being asked to concentrate Cohesion policy on actions that support the 'growth and jobs' strategy according to specified 'earmarking' targets. Third, a process of monitoring and reporting under both the NRPs and NSRFs foresees annual reports by the Member States on the contribution of their programmes to Lisbon. The following sections explore each of these aspects in more detail.

2.1 NRP and NSRF: Connections and Complementarities

National Reform Programmes (NRP) were developed by Member States to respond to the Integrated Employment and Economic Guidelines, which set out macro economic, micro

³ *Time to move up a gear: the new partnership for growth and jobs*, Communication from the Commission to the Spring European Council, 2006.

⁴ *Presidency Conclusions of the Brussels European Council, 23-24 March 2006*, Council of the European Union, Brussels, CONCL 1, 24 March 2006.

economic and employment guidelines for 2005-2008 that aim to deliver the basic goals of the Lisbon Strategy (see Box 1).

Box 1: Integrated Guidelines for Growth and Jobs (2005-2008)

Macroeconomic guidelines

1. To secure economic stability
2. To safeguard economic sustainability
3. To promote an efficient allocation of resources
4. To promote greater consistency between macroeconomics and structural policies
5. To ensure that wage developments contribute to macroeconomic stability and growth
6. To contribute to a dynamic and well-functioning EMU

Microeconomic guidelines

7. To extend and deepen the internal market
8. To ensure open and competitive markets
9. To create a more attractive business environment
10. To promote a more entrepreneurial culture and create a supportive environment for SMEs
11. To expand and improve European infrastructure and complete priority cross-border projects
12. To increase and improve investment in R&D
13. To facilitate innovation and the uptake of ICT
14. To encourage the sustainable use of resources and strengthen the synergies between environmental protection and growth
15. To contribute to a strong industrial base

Employment guidelines

16. To implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion
17. To promote a lifecycle approach to work
18. To ensure inclusive labour markets for job-seekers and disadvantaged people
19. To improve matching of labour market needs
20. To promote flexibility combined with employment security and reduce labour market segmentation
21. To ensure employment-friendly wage and other labour cost developments
22. To expand and improve investment in human capital
23. To adapt education and training systems in response to new skill requirements.

Source: *Integrated Guidelines for Growth and Jobs*, Commission recommendation and proposal for a Council decision, Brussels, 12.4.2005, COM(2005) 141 final.

In their NRPs, the Member States have addressed themes which correspond closely with the Integrated Guidelines for Growth and Jobs, emphasising three main challenges (see Table 1): to continue public finance reform (in particular reducing budget deficits); to strengthen and increase industrial competitiveness while respecting the need for sustainable resources (focusing on measures to strengthen and increase the competitiveness of the industrial base); and to increase labour market flexibility.

Table 1: Main areas of intervention cited in the 2005-2008 NRP documents

Development challenges	Member State examples
Macro economic	
Managing public finances	Austria, Belgium Cyprus, Czech Republic, Estonia, Finland, France, Greece, Hungary, Latvia, Malta, Poland, Portugal, Slovakia, Slovenia, Sweden (16)
Pension and health reform	Estonia, Slovakia (2)
Join EMU	Estonia, Latvia (2)
Upgrade infrastructure	Austria, Cyprus, Hungary, Italy, Sweden (5)
Micro economic	
Improving business environment & competitiveness	Austria, Denmark, Finland, France, Greece, Germany Italy, Portugal, Sweden, UK (10)
Business environment: entrepreneurial culture and appropriate legal frameworks for business	Czech Republic, Estonia, Latvia, Greece, Germany Hungary, Italy, Poland, Netherlands, Slovakia, Slovenia, Sweden (12)
Business and physical infrastructure	Estonia, Czech Republic, Finland, Italy, Latvia, Malta, Slovakia (7)
Promotion of R&D and innovation and ICT	Austria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Latvia, Luxembourg, Poland, Portugal, Netherlands, Sweden, Slovenia, UK (19)
Facilitate business start-ups and SMEs	Czech Republic, Estonia, Hungary, Slovakia, Latvia, Slovenia, Sweden (7)
Environmental protection and sustainable development	Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, Hungary, Italy, Luxembourg, Malta, Slovenia, Sweden (13)
Labour market and employment	
Improved labour market flexibility and productivity	Belgium, Cyprus, Czech Republic, Denmark,, Finland, Greece, Hungary, Latvia, Luxembourg, Malta, Netherlands, Poland, Slovakia, Sweden (14)
Developing linkages between educational system, the development of skills and labour market needs	Austria, Cyprus, Estonia, Latvia, Hungary, Italy, Portugal, Slovakia, Sweden (9)
Comprehensive national framework for lifelong learning and youth training	Cyprus, Czech Republic, Estonia, Latvia, Italy, Slovakia, Sweden (7)
Social security reform and reducing poverty	Belgium, UK , Finland, Slovenia (4)
Measure to address demographic change	Finland, Germany, Netherlands, Slovakia, Sweden, UK (6)
Public sector reform/improvements	Cyprus, Latvia, Hungary, Portugal, Slovakia, Slovenia (6)

Source: National Reform Programmes.

Although there is a commonality in the general objectives of the NRPs, the specific development priorities of the Programmes vary considerably, for example between those Member States aiming to catch up with average EU development levels or prioritising membership of the Eurozone, and those focusing on micro-economic issues such as

expanding R&D, innovation or training capacity. Many of the important NRP policy goals are macro-economic or institutional, requiring regulatory changes to enhance the environment for enterprise and employment. Others are foreseen as being delivered by Cohesion policy, such as increasing investment in education and research or improving employment rates. It is in these areas that - in theory - there should be a link between the NRPs and NSRFs. In its follow-up to the Spring 2005 European Council, the Commission stated that:⁵

“In their 2005 programmes [NRPs], Member States should already include a section on the use of the structural and cohesion funds in support of the Lisbon objectives. Once the regulations for the structural funds are adopted, the national strategic frameworks laying down priority expenditure with regard to the structural funds will be included in the main national reform programmes in line with the integrated guidelines for growth and jobs.”

However, in practice, the NRPs and NSRFs vary considerably in the degree to which they are connected. There are even apparent inconsistencies, lack of coordination and tensions. Overall, it is possible to group NRP and NSRF references to each other in three main ways, based on whether they make general or explicit commitments to complementarity.

Most NRPs and NSRFs contain broad *references to shared goals and connections*, although they vary in clarity and specificity. For instance, the NSRFs of Hungary and Estonia identify the NRP as one of the ‘pillars’ of their respective reference frameworks and a basis for planning Structural Funds interventions for the next programming period. Links between the NSRF and the National Reform Programme in Malta were designed to be “cohesive and complementary”.⁶ Italy’s NRP states that Cohesion policy will be an important ‘lever’ through which the NRP objectives will be met. Similarly, the NSRFs in Austria, Ireland, Lithuania and Slovakia emphasise that they were drafted in a coordinated way with the NRPs. The draft NSRF of the Czech Republic highlights the shared objectives of: creating an environment which stimulates research, development and innovation; modernising and expanding the transport, information and communication networks; creating a quality business environment; and creating a flexible labour market, by focusing in particular on youth employment, opportunities for learning in later life and educational reforms.⁷ In the Slovak Republic, the NSRF and OPs for 2007-2013 are expected to be fully compatible with the “philosophy and targets of the NRP”.⁸ Similarly, the Netherlands NRP states that Structural Funds will be used to address the Lisbon Strategy, with investments in innovation, knowledge and human capital being given priority.⁹

⁵ *Working together for growth and jobs: Next steps in implementing the revised Lisbon strategy*, Commission Staff Working Paper, Commission of the European Communities, Brussels, 29.4.2005, SEC(2005) 622/2

⁶ Government of Malta, *National Strategic Reference Framework of Malta* (Draft for Consultation), March 2006, p. 58

⁷ Ministry for Regional Development, *National Strategic Reference Framework of the Czech Republic 2007-2013*, Version 3 (following the inclusion of comments in respect of the 2nd draft dated 11. 04. 2006), April 2006, Prague, p. 25.

⁸ Government of the Slovak Republic, *National Reform Programme of the Slovak Republic*, October 2005, p. 5

⁹ Ministerie van Economische Zaken, *Nationaal Hervormingsprogramma Nederland 2005-2008*

While it is possible to identify numerous examples of such ‘cross-referencing’ between the overall goals of the NRPs and NSRFs, there is much less information on how the future Structural Funds programmes will actually contribute to the NRPs and *vice versa*. The Commission’s own assessments of the NRPs draw attention to the lack of detail provided on, for example, which priorities/measures will be incorporated within the future NSRF, their relative weighting, or the role of Cohesion policy across the full range of possible interventions. Following feedback from the Commission, some Member States are now trying to build stronger and more direct links between their NSRF, OPs and the NRP, for example by identifying priorities in the NRP that will be delivered by the Structural Funds programmes for 2007-2013.

In some cases, the broad cross-references in NRPs and NSRFs are supported by more *explicit and detailed links*, with information on how they will operate in practice (see Box 2). The more extensive and detailed connections are set out by ‘Convergence’ countries, reflecting the greater importance of Cohesion policy resources for reform programmes. NRPs frequently cite the areas of Structural Funds spending that will deliver the priorities of the NRP - most commonly, R&D, technology investment, venture capital for SMEs, infrastructure spending and employment-related interventions - or the operational procedures that will contribute to the increased transparency, efficiency and project quality of government expenditure. Good examples are the NRPs and NSRFs for the Czech Republic, Estonia, Greece, Italy, Latvia, Lithuania, Malta and Slovakia.

Explicit cross-references are also contained in some of the NRPs/NSRFs of Member States receiving predominantly or exclusively Regional Competitiveness and Employment Funding, such as those for Denmark, Finland and France, although the link is generally limited to a narrow set of interventions particularly the knowledge economy, entrepreneurship and employment.

Box 2: Explicit NRP and Structural Funds links

NRP Italy - A chapter of the NRP - entitled ‘Regional Cohesion Policy’ - deals with the linkages between the NRP and Cohesion policy (2000-2006) in Italy and Italian (domestic) regional development policy. The resources allocated by national and EU policies to NRP objectives - R&D, human capital, infrastructure, environment - are also specified, including both EU and national regional policy funding.¹⁰

NRP France - The French NRP contains a box on its link with the Structural Funds. Its contributions are concentrated on three of the recommendations of the European Council: improvement of adaptation capacity of workers and firms to economic change; increased attraction of workforce to the labour market; and increased investment in human capital.¹¹ This coordination between national policies, the priorities set in the NRP and Structural Funds interventions is also stressed in the draft of the NSRF.¹²

in het kader van de Lissabonstrategie, 2005-2008 p. 43.

¹⁰ Presidenza del Consiglio dei Ministri, Dipartimento per le Politiche Comunitarie (2005) *PICO - Piano per l’Innovazione, la Crescita e l’Occupazione. Piano italiano in attuazione del rilancio della strategia di Lisbona*, Rome, 14 October 2005, p. 34-37.

¹¹ République française (2005) *Programme National de Réforme, Pour une croissance sociale*, p. 39.

¹² Premier Ministre de la République Française (2006) *Projet du Cadre de Référence Stratégique Nationale*, version 4, p. 41.

NRP Latvia - The NRP lists a series of Structural Funds co-financed interventions:

- modernisation of scientific infrastructure in research institutes and higher education (by 2008 ERDF co-financing of LVL 10 million);
- development of new products and technologies (currently receives LVL 10.3 million from ERDF - this type of support will continue in the next round of programming);
- ICT development from 2005-2008 (ERDF co-financing);
- town water management initiatives (LVL 75.5 million from EU funds);
- regional municipal waste management (LVL 10.7 million from EU Funds);
- venture capital funding for SMEs (continue to be co-funded with EU Funds);
- major transport investments are co-funded, e.g. developing the Via Baltica, up-dating the East-West railway corridor and improving ports and airports infrastructure;
- employment-related interventions are listed as having ESF co-financing.

NRP Czech Republic - Several priorities are listed as being expected to draw on Structural Funds. ESF will be used for the modernisation of employment policy, including the launch of job centres, the creation of pilot educational programmes, a programme of career counselling, and life-long learning programmes. The scope for business support measures, including a 'clusters programme', support for R&D and business innovation, to be co-financed by the Industry and Enterprise OP is noted. Similarly, investment in ICT, particularly broadband internet access, will benefit from Structural Funds support.

2.2 Earmarking

In order to operationalise the link between Cohesion policy and the Lisbon Strategy, targets have been set for the Lisbon-related allocation of Cohesion policy expenditure. In the Commission view, earmarking means identifying specific areas of investment that directly strengthen competitiveness and job creation - in research and innovation, human capital, business services, major European infrastructures and improvement of energy efficiency. The targets for earmarking are 75 percent of Cohesion policy resources under the Regional Competitiveness and Employment objective, and 60 percent under the Convergence objective. These targets apply to the EU15 but the Commission has encouraged the EU10 to aspire towards these targets on a voluntary basis. Although earmarking is not a legally binding requirement, and there are no sanctions for missing targets, Member States are expected to report annually on how they used Cohesion policy in support of growth, jobs and competitiveness.

The assessment of earmarking targets is based on a system of coding Cohesion policy expenditure, which will apply across all Member State programmes. The Commission structure of interventions and codes is set out in Annex IV of the draft General Regulation and spans a range of activities listed under the following 'priority themes':

- Research and technological development, innovation and entrepreneurship
- Information society
- Transport
- Energy
- Environmental and risk prevention
- Increasing the adaptability of workers and firms, enterprises and entrepreneurs
- Improving access to employment and sustainability
- Improving social inclusion of less-favoured persons
- Improving human capital

For some Member State authorities, the earmarking targets are not considered to be problematic, notably in countries where the current Structural Funds are already meeting the relevant targets, and where a strong Lisbon orientation has been decided for the future programmes. This would appear to apply to Austria, Belgium, Denmark, Finland, Italy, Netherlands, Sweden and the UK.

For the EU15 Cohesion countries, the targets may be more challenging since earmarking could imply a substantial shift in the types of intervention that will be funded. Meeting national earmarking commitments will depend on regions and sectoral ministries meeting their respective targets. This will not necessarily be straightforward in countries with different types of programme or devolved systems of government. In Greece, for example, a special unit in the Ministry of Economy and Finance will be made responsible for overseeing the extent to which OPs address the NRP objectives and for monitoring progress.

The ease with which Member States are able to fulfil earmarking obligations depends on the Commission's interpretation of what types of intervention 'count' towards meeting targets. At one end of the spectrum, some Member State authorities have been critical of the breadth of the definition of 'Lisbon', which would effectively rule very little out for the purposes of earmarking. For instance, the initial goal of using earmarking to increase funding for Lisbon-oriented measures could become meaningless in Member States such as Finland and Denmark, which have few priorities which do not fit within the Lisbon eligible interventions. Frustration has also been expressed that the objective of clearly reflecting Lisbon aims in new programmes has been blurred, as Member States have pressed for additional themes to be included as eligible activities for earmarking.

By contrast, other managing authorities find Annex IV of the draft General Regulation relatively strict, allowing for little flexibility. For example:

- in France, concerns have been raised regarding the differing capacity of large, urbanised regions and small, more rural regions to meet earmarking targets;
- in Greece, the earmarking approach is not viewed as being sufficiently sensitive to the large variation within the Greek regions, the vast rural areas depending on agriculture and the specific development needs of small islands;
- in Sachsen Anhalt, the action needed to support structural change in the Objective 1 regions is only partially covered by the Lisbon goals, so there is a perceived risk that Lisbon could distort strategic choices;
- in Ireland, the Border Midland and West Region could face a particular challenge in absorbing high levels of R&D expenditure;
- in Scotland, earmarking ERDF could raise some problems, as the Scottish programmes are expected to have a strong commitment to Community Economic Development, most of which falls outside the listed categories;
- in Wales, the Welsh European Funding Office is currently preparing a report on 'vulnerability issues', mainly in relation to the introduction of a new

implementation method (through strategic frameworks), but also covering (sectoral) vulnerability in relation to Lisbon earmarking;

- based on preliminary calculations, authorities in Niederösterreich are sceptical as to whether their planned programme would enable them to meet the 75 percent goal, as less than half of planned interventions would fit within the eligible expenditures proposed in an early draft of Annex IV. Particular concerns have been raised about the eligibility of risk prevention measures, support for intermediate bodies (e.g. regional managements), broadband infrastructure and tourism.

Lastly, it has been noted that strong emphasis is being placed on meeting earmarking targets, but that there are no associated sanctions. This raises questions about enforceability of the concept and the preparedness of national programme managers to manage the strategy actively (e.g. to take money away from interventions that are absorbing funds quickly but are not eligible for Lisbon).

2.3 Reporting

Strategic links between the NRP and NSRF and commitments to earmarking resources are two key elements of the Lisbon/Cohesion policy relationship. A third element involves mechanisms for strategic follow-up and reporting.

From 2007, a section on Cohesion policy will be included in Member State annual implementation reports on the NRP, comprising: an outline of any strategy changes linked to socio-economic trends; details of achievements and challenges in meeting Lisbon-related objectives; and financial progress with Lisbon-related expenditure. A second strand is the Cohesion policy reporting framework. By the end of 2009 and 2012, Member States are expected to provide an analysis of the contribution of the programmes towards meeting the priorities of the CSG and NSRF. Similar to the NRP report, this analysis is expected to include an up-date on socio-economic developments and an assessment of the implementation of the strategy, while also providing examples of good practice.

Although it is widely accepted that some level of monitoring and reporting is required, a number of concerns have been raised about the practicalities of developing stronger links between the NRPs and Cohesion Policy in this manner. First, in France, Germany and the Czech Republic, the need to meet varying targets for separate, annual NRP and Cohesion policy reporting frameworks has been described as 'heavy', 'potentially problematic' and 'difficult to integrate with Structural Funds management'. Problems are anticipated in coordinating the reporting systems and data of different government departments with Lisbon-related policy responsibilities.

Second, the outcomes of implementation reports on NRPs and NSRFs may be politically controversial, especially in Member States with large amounts of Cohesion policy resources. The implementation of Cohesion policy may also become more 'politicised' as national administrations strive to meet NRP targets. Third, some Member States argue that Lisbon-related reporting deadlines could lead to authorities being placed under particular pressure to fulfil 'Lisbon-targets', possibly at the expense of funding the full range of planned

Cohesion policy projects. This may be exacerbated by the European Commission proposal to publish a summary of national reports for the attention of the European Council and Parliament at key stages in the life of the programmes. Finally, developing meaningful, formalised and practical reporting structures for two broad-based, strategic documents is potentially fraught with methodological difficulties of measurement and reporting.

3. PREPARING THE NATIONAL STRATEGIC REFERENCE FRAMEWORKS

As discussed in detail in the previous IQ-Net paper, the process of NSRF preparation has varied greatly across Member States, depending on national institutional arrangements, previous Structural Funds programming practices and the existence of national or regional strategies.¹³ In most Member States, national authorities took on a coordinating role in involving sectoral ministries in a horizontal partnership and sub-national authorities through following a vertical approach. Regional offices of the State or regional governments have often had a role in the process of strategy definition, and, in some cases, have been responsible for mobilising a wider partnership at the regional level.

In some cases, distinctive organisational arrangements were established (e.g. Austria, Belgium, Finland, France, Germany, Italy, the Netherlands, Sweden and UK) and the need to prepare a national strategic document for EU Structural Funds, where previously none was in place, has led to greater involvement by central government in some aspects of strategy development. Especially in some of the new Member States, efforts were made to engage regional authorities in strategy development processes more actively, linked to, for example, regional reform, plans to introduce Regional Operational Programmes, proposals to decentralise Structural Funds management and commitments to strengthen partnership-working across each level of government (e.g. Czech Republic, Slovakia, Hungary and Poland).

3.1 Operationalising institutional (vertical) partnership in the preparation of the NSRFs

Looking at national practices in more detail, in a limited number of Member States, the process has been largely 'bottom up', with a central role for regional authorities and a construction of the Framework on the basis of regional strategies. This applies in particular to **Belgium**, where the Brussels, Walloon and Flemish regions have each prepared their own sub-sections of the NSRF (with appropriate consultation with sub-regional authorities), and to **Germany**, where the *Länder* have undertaken the analytical and strategy development parts to the exercise, while the federal government is providing the overall strategic context.

At the other end of the spectrum, NSRF preparation has been undertaken predominantly by central government authorities, with varying amounts of consultative input from sub-national bodies and limited or no use of sub-national strategies. This applies to several of the EU10, as well as Denmark, Ireland, Luxembourg and the Netherlands. For example:

- **Czech Republic:** the drafting of the NSRF has been undertaken by the Ministry of Regional Development, based on the NDP and with consultative input from working groups of state agencies, regions, economic and social partners etc;

¹³ Polverari L, McMaster I and Gross F (2005) *A Strategic Approach to Cohesion?* IQ-Net Thematic Paper 17(2), European Policies Research Centre, University of Strathclyde, Glasgow, December 2005.

- **Hungary:** NSRF preparation has been led by the National Development Office, coordinating central government inputs; regional representatives have been consulted through NSRF working groups, and RDAs and Regional Councils have undertaken sub-national consultation through their own region-specific working groups;
- **Latvia:** the NSRF was drafted by central government (led by the Ministry of Finance) and then put out for comment by regions, NGOs etc;
- **Netherlands:** the NSRF process has been led by the Ministry of Economic Affairs, coordinating inter-ministerial discussions and subsequent consultation with provincial authorities;
- **Poland:** the NSRF has been coordinated by the Ministry of Regional Development, based on central government discussions and consultation with regions; regional inputs are also reflected through the close alignment of the NSRF with the NDP which was built on the regional strategies of the regions;
- **Slovakia:** the NSRF has been drafted by an inter-ministerial working group, with extensive consultation via the 'Expert Group: Partnership for the National Framework' with some 88 meetings of partners said to have taken place.

In other Member States, there has been more of a balanced input from national and regional authorities to prepare the NSRFs. This applies to Austria, Finland, France, Greece, Italy, Sweden and the United Kingdom:

- **Austria:** a collaborative approach to NSRF preparation was undertaken involving federal and *Länder* authorities through an intensive process of analysis and strategy development, involving seven partner workshops organised by the Austrian Spatial Planning Conference (ÖROK) and close coordination in drafting;
- **Finland:** drafting is being undertaken by an NSRF Committee combining national ministries and regional representatives, with a baseline for analysis provided by the 2005 enquiry into regional needs;
- **France:** the NSRF process is being coordinated by DIACT, with the drafting of the Framework document by an inter-ministerial group with some regional representations; inter-regional and sub-regional consultation has been organised by regional offices of the State and regional government authorities;
- **Greece:** the Ministry of Economy and Finance is coordinating the process of NSRF preparation, with extended discussions among sectoral ministries at national level and representatives of the regions; regions have undertaken an extensive series of partnership consultations and have put forward regional strategic proposals via regional councils;
- **Greece:** the NSRF drafting process was led by the Ministry of Economy but with substantial involvement of the regional authorities and socio-economic partners, for

example through 13 regional development conferences in the regions and a national development conference. Additionally, partners in each region developed proposals for the NSRF which were submitted via the regional councils;

- **Italy:** the NSRF was drafted via a collaborative process led by the Department for Development and Cohesion Policies. This process combined national and regional inputs through 10 working groups, involving both national and regional representatives (and supported by several thematic tables, thematic conferences and selective inputs from experts);
- **Sweden:** the NSRF process has been led by the Ministry of Industry, Employment & Communications; the starting point was Regional Development Programmes and Regional Growth Programmes, with the NSRF draft developed through a series of regional conferences and a national conference of central and regional representatives;
- **United Kingdom:** the process has been led by the Department of Trade and Industry, with separate sections of the draft document produced by the Department for Communities and Local Government (England), Scottish Executive, Welsh European Funding Office and Northern Ireland Executive; the draft was opened to three-month partner consultation, and the results are currently being assessed.

It should be noted that this kind of categorisation simplifies the interactive and complex processes of strategy development, which have involved discussion and cooperation between actors and the use of a range of information inputs. Each of the various stages has involved different roles by national and subnational authorities, within and outside government.

3.2 Operationalising socio-economic (horizontal) partnership in the preparation of the NSRFs

The way in which consultation was carried out also differs between the Member States and regions and ranged from extensive, highly inclusive consultation processes to targeted, technocratic approaches. In many cases, elements of both approaches were used at various stages in the process.

In some Member States, *wide partnership involvement and extended consultations* are pragmatic responses to the need to build consensus around the strategy, increase interest and access a range of opinions and meet the Commission's 'partnership criteria. As noted above, a highly inclusive discussion exercise was carried out in Austria under the auspices of the Austrian Spatial Development Conference (ÖROK). Broad-based, bottom-up consultation processes were also carried out in many of the German *Länder*. In France and Greece, a combination of bilateral consultations and interregional meetings was used. The same was true for the Spanish territorial authorities and other societal institutions. In some cases, extensive consultations are now embedded in parts of policy development and are 'expected' processes (e.g. Finland). Also, in the new Member States, considerable efforts have been made to take up the 'partnership principle' partly reflecting increased

awareness of the value of incorporating stakeholders' perspectives into successful programme implementation and partly as a pragmatic response to the increase in funding available and the proposed structure of OPs.

At the same time, some Member States have decided to invite more *targeted inputs from strategic actors* at key stages in the NSRF development process. Where a technocratic and targeted process was predominant, this is attributable to the limited amount of funding expected and/or the desire to have a rapid and streamlined strategy planning exercise. This applies for example to the UK where a centrally-steered approach with less broad consultation was applied in cooperation with a national-level 'delivery group' including representatives from the main government bodies of the UK's countries/regions. Stakeholder events were mainly initiated at the regional level. In some new Member States this approach also reflects the limited ability of smaller municipalities, NGOs and interest groups to make an input.

Generally, information was gathered, exchanged and disseminated through a variety of mechanisms:

- drafts were put out for partner consultation e.g. Belgium (Flanders), France, Hungary, Latvia, Lithuania, Malta, United Kingdom;
- national and/or regional working groups were used to organise the drafting process or as a forum for consultation at certain stages, e.g. Austria, Czech Republic, Finland, Germany, Hungary, Italy, Portugal, Slovakia, Malta;
- conferences, seminars, hearings and workshops were organised in some Member States, generally at national level, and mainly for information dissemination purposes or for political reasons e.g. Austria, Denmark, Greece, Hungary, Italy, Sweden, UK, Malta; and
- specialist input was provided by external consultants to draft documents, undertake analysis or evaluation, or to provide feedback on draft strategies e.g. Austria, Belgium (Wallonia), Finland, France, Italy, Germany, Hungary.

3.3 Usefulness of partner input in strategy preparation

Depending on the breadth of actor involvement and the general importance accorded to the preparation process, the outcomes of the consultation exercises can have implications for the future implementation of the strategy and the programmes regarding aspects of ownership and coordination. Opinions vary with respect to the usefulness of the NSRF exercise.

For some, it is not clear how far partner consultation fostered a more strategic approach. Problems arose because time frames were too narrow to allow for meaningful input (e.g. in **Italy, France**) or the draft document was not sufficiently advanced to present a suitable basis for discussion. Other difficulties related to the quantity and quality of input. In the case of extended consultations, it was often considered challenging to take account of numerous, wide-ranging opinions. Some authorities therefore consider that the production

of a large volume of written contributions might have led to a ‘watering down’ of the strategic content of the document (e.g. in **Italy**). Where consultation exercises were more restrained or potential partners did not necessarily have the capacity to get fully involved, participation was limited, the quality of input was sometimes poor and exchanges were less constructive (e.g. in the case of **Lithuania**). In such instances, it could be challenging to integrate patchy contributions in the context of meaningful partnership exercises. Overall, it proved to be difficult to find a good balance between the level of partner inclusion and useful and manageable contributions.

Other Member State authorities are more positive about the input of consultation exercises, regarding them as having helped to generate valuable input that help to shaped the NSRF (**Malta**). The impact of the process on institutional awareness concerning Structural Funds programming was also cited (**Latvia**), and benefits were related to the interest aroused by the novelty of the strategic document (**Sweden**).

3.4 Preparing the new regional Operational Programmes

Given the time pressures on programming, the preparation of the regional Operational Programmes is frequently being undertaken in parallel with the NSRFs. The organisation of the process is undertaken by central or regional authorities depending on how responsibilities for Structural Funds management are allocated between levels of government. Although the regional OPs are being drawn up centrally in some smaller countries (e.g. Denmark), most programmes are being at least partly developed by regional authorities themselves, either regional offices of the State with central guidance (e.g. England, Finland, France) or independently by regional governments (e.g. Austria, Belgium, Germany, Poland, Spain).

The programming procedures are much the same as in previous programme periods, although the degree of analysis, consultation and strategic planning appears to be truncated in countries/regions receiving relatively small amounts of funding. Some examples from IQ-Net partner authorities illustrate some of the procedures adopted.

- **Niederösterreich:** The Managing Authority, attached to the department for regional policy and spatial planning, established a working group at the *Land* level to be responsible for programme development. A second, larger group comprises all relevant stakeholders such as NGOs, trades unions, business chambers, departments of federal ministries and the Austrian Conference for Spatial Planning (ÖROK). Since autumn 2004, four workshops under the auspices of the first working group have taken place; in the last of these, the MTE/UMTE evaluators were involved in order to reflect experiences from the current SF period.
- **Steiermark:** The process of drafting the Styrian strategy document, which serves as the base for the regional OP, began in spring 2005, involving external consultants and the different *Land* departments. Workshops took place with regional representatives from northern and southern Steiermark, with actors from the federal level as well as economic and social partners. Proposals from development agencies were taken into account and the MTE/UMTE evaluators who were

responsible for drafting the strategy document will also be involved in the OP development.

- **Western Finland:** an informal workgroup was set up to develop and coordinate the new programme. A work plan for the development of the Operational Programme was agreed, with the Regional Council of Tampere providing the secretariat for the programme development team, a role previously held by the Regional Council of Central Finland (a supplement to the programme was prepared by the Regional Council of Tampere). Once the draft has been developed, the Western Finland Assembly will meet to agree the draft programme at a political level before it is submitted to the Ministry of the Interior.
- **France:** the regional State services are responsible for organising the consultation and strategy planning in the framework of regional partnerships. Although their role has been confirmed, some regions feel that they have a less prominent position besides other territorial authorities in comparison to the current programming period. In most of the French regions, workgroups are in place to discuss the future regional OPs. Different solutions have been adopted to ensure wide involvement but at the same time to allow for focussed strategic preparations.
 - In the **Nord-Pas de Calais** region, it was decided to set up cooperation between the State services and the regional council in the framework of a partnership. The content of the OP is being worked out by five thematic groups bringing together representatives of the state, the region and various experts (involving some 60-80 participants). A smaller, strategic group deals with subjects like eligibility, co-financing and management procedures and a similar limited-member group will be constituted in order to draft the document.
 - In **Alsace**, consultations for the future programme took place in two stages. First, a very large consultation was organised in the framework of six thematic workgroups. In this context, the preliminary diagnosis was shared and needs discussed in order to finalise the analysis. The exercise generally went well except for the workgroup on territorial specificities where it was difficult to reach a consensus. In a second step, two smaller groups composed of the future large co-financers - the state, the *départements* and the agglomerations - will work on a pre-programme.
- **North Rhine Westphalia:** The *Land* Cabinet agreed on the core political framework for the ERDF OP in January 2006 at the same time as launching a major written consultation process, with around 800 partners (e.g. socio-economic partners, local authorities, environmental bodies etc). A second consultation process was also launched with the other *Land* Ministries, which were to provide formal proposals for Measures to be included in the new OP. Extensive bilateral discussions have been undertaken by the Managing Authority with other Ministries and partners and negotiations on the allocation of funds are under way. Currently, the Managing Authority is going through the responses from both sets of consultations followed by

the dissemination of the results to the partners by the *Land's* Economics Minister (responsible for the ERDF OP). Based on the presentation of details of the updated strategic paper, a meeting will be held with key representatives of the socio-economic partners allowing them to have further input into the OP before a final version is presented to the Cabinet for a political decision.

- **Italy:** the preparation of the regional OPs is progressing in parallel with the finalisation of the NSRF according to a timetable agreed between national and regional administrations. The regional OPs are being developed starting from the Preliminary Regional Strategic Documents that the regions prepared in autumn 2005 to support the drafting of the NSRFs and, for the *Mezzogiorno*, from the Mezzogiorno Strategic Preliminary Document, prepared by the Department for Development and Cohesion Policies in consultation with the Southern regions. Most regional authorities are working on their OPs through their own administrations, whilst some (e.g. Lombardia) have contracted the drafting to an external consultancy. The OP drafting processes are initially being conducted mainly by the regional administrations, i.e. involving all relevant sectoral DGs and departments. Partner consultation will take place at a later stage, once the more detailed OP drafts have been agreed (e.g. Toscana).
- **Śląskie:** the highly structured process for preparing the ROP was initiated in September 2005 with the appointment of external experts by the regional government to draft the programme. The first versions of the document have been submitted to the regional board and consultation with partners on the analytical and strategy elements has been under way over the past three months. The aim to complete the programme by September 2006 for submission to the Ministry of Regional Development and discussion with the Commission.
- **Spain:** most of the Spanish regions launched consultations with relevant partners (predominantly regional government departments) at the beginning of the year. In general, it was considered that the process of developing the new OPs would be similar to that for the current programming period. Some regions believe that there has been a greater degree of partner consultation and involvement in the drafting of the programmes, partly because social and economic, environmental, and gender equality partners have become more firmly embedded within the Structural Funds framework during the implementation of the 2000-06 programmes. There was also expected to be a greater use of external support from economic development consultancies in developing the programmes (e.g. País Vasco, Andalucía and Murcia).
- **England:** the Department for Communities and Local Government (DCLG) has developed a work programme for OP development, and all nine English regions are expected to proceed at the same pace. The Government Offices in the regions have been formally invited to start preparing the ERDF programmes in close cooperation with the Regional Development Agencies, who are to take on a bigger role in managing and administering the new Structural Funds programmes. In **North-East England**, the Government Office is employing a consultant to write the OP, given

the volume of work associated with programme closure. The consultant's main task will be to draw the socio-economic analysis and the Regional Economic Strategy together and produce a coherent OP. The process will be managed by a 'Project Board' - an extended version of the existing Strategic Programme Management Group.

- **Scotland:** the OPs are being written by the Scottish Executive. Four stakeholder events were held around the country during December 2005/January 2006, and the results of these were intended to feed into the process of programme development. The plan is to have a public consultation on the new programmes before the summer.
- **Wales:** the Welsh European Funding Office (WEFO) is working with a Post-2006 External Stakeholders Group composed by senior officials and chaired by the Director of Economic Development and Transport. Five expert workstreams have been set up to develop the new programmes, bringing together a range of experts from policy divisions and external organisations (including nominations from external stakeholders). The External Stakeholders Group, which meets quarterly, is intended to work as a sounding board, providing a strategic oversight to the workstream groups which are driving the preparations.

3.5 Progress with NSRFs' preparations and negotiations with the European Commission

The formulation of the NSRFs is progressing at varying speeds in different countries, as are the negotiations with the European Commission. Some Member States have still not formally submitted their official drafts to the Commission, while others are still at their first official drafts. Only a few Member States have submitted semi-final or final-drafts.

Despite these variations, the majority of countries have produced some form of 'official' draft of their NSRFs (see Table 2). Although a few Member States (**Austria, Denmark and Slovakia**) were able to submit drafts to the Commission before the end of 2005, the majority of countries have made their NSRF draft submissions during the first half of 2006, especially since March 2006. Several countries had not yet adopted an official NSRF draft at the time of the IQ-Net research, namely **Belgium, Greece, Ireland, Portugal and Spain**. In general, it appears that progress has been slower than expected, because of delays in the approval of the EU budgetary and regulatory framework for Cohesion policy (Financial Perspective, CSGs and Regulations) and due to domestic difficulties of various kinds.

Despite this rather slow progress, informal negotiations with the Commission have been ongoing. Although the NSRF is essentially a national document, which does not require formal Commission approval, the Commission has adopted a pro-active approach to ensure the strategic consistency of the NSRFs with the Commission's assessment of national development challenges and needs and with relevant Community legislation.

The geographical units of DG Regio appear to be approaching the discussions with Member States with slightly different methodologies, also reflecting the different institutional needs and settings of the various countries. However, a few common denominators of the Units'

work can be identified. First, between January and May 2006, DG Regio and DG EMPLOI submitted a working paper to each Member State on their prospective NSRFs, outlining the Commission view of what the NSRF should contain in terms of strategic priorities and objectives. Second, as the dialogue with the Commission unfolded, the focus shifted progressively towards the administrative and legal aspects of future programming rather than the strategic aspects of the NSRF. Third, for some countries (e.g. Germany, Poland, Italy, Spain) the Commission (particularly DG Regio) has been engaged not just with the national levels, but also with the sub-national authorities in charge of the design or implementation of future regional programmes. As the content of the NSRF drafts is currently rather vague and general, it is at the level of the individual OPs that the key strategic decisions will most likely be taken.

Table 2: Availability of NSRF drafts

Country	NSRF draft	Description
Austria	Yes	Strat.at, draft NSRF for Austria, in its fourth and final version (October 2005) ¹⁴
Belgium	No	Work still underway at regional level with Flemish, Wallonian and Brussels governments finalising their strategies. Informal submission of NSRF to COM expected September 2006
Bulgaria	Yes	NSRF draft finalised 14 April 2006 ¹⁵
Cyprus	Yes	NSRF draft dated May 2006 ¹⁶
Czech Republic	Yes	NSRF draft submitted to the Government at end of May 2006 ¹⁷
Denmark	Yes	Draft NSRF produced September 2005 available and discussed with Commission ¹⁸
Estonia	Yes	Draft NSRF submitted to COM in March and April 2006 . New revised draft expected for June 2006
Finland	Yes	First official draft dated March 2006
France	Yes	Second official draft finalised late February and approved by CIADT in early March 2006 (first draft dated 21 November 2005) ¹⁹
Germany	Yes	Semi-final draft dated 10 April 2006 to be adopted by June/July ²⁰

¹⁴ Österreichischer Raumordnungskonferenz (ÖROK) (2005) *STRAT.AT 2007-13. Einzelstaatlicher Strategischer Rahmenplan für die Österreichische Regionalpolitik 2007-13*, final draft, 31.10.2005.

¹⁵ Republic of Bulgaria (2006) *Programming Period 2007-13. National Strategic Reference Framework*, Draft, 14.04.2006.

¹⁶ Republic of Cyprus (2006) *Draft National Strategic Reference Framework for Cohesion Policy 2007-13*, May 2006.

¹⁷ Czech Republic, Ministry for Regional Development (2006) *National Strategic Reference Framework of the Czech Republic 2007-13*, Version 3, April 2006.

¹⁸ Danish Agency for Enterprise and Construction (2006) *Regional konkurrenceevne og beskæftigelse i Danmark - Danmarks strategiske dokument*, 29.03.2006.

¹⁹ Premier Ministre de la République Française (2006) *Projet du Cadre de Référence Stratégique Nationale*, version 4, 25.04.2006.

²⁰ Federal Republic of Germany, Federal Ministry for Economics and Technology (2006) *National Strategic Reference Framework 2007-13. Final Draft*, 10.04.2006.

Table 3: Availability of NSRF drafts (continued)

Country	NSRF draft	Description
Greece	No	Only an internal NSRF exists which is still being discussed
Hungary	Yes	First official NSRF draft "The Programme of a New Hungary" dated 28 February 2006 ²¹
Ireland	No	Only an internal NSRF exists which is still being discussed
Italy	Yes	First, technical-administrative official draft of the NSRF dated April 2006 . New government formed in May might involve a change in the strategic approach ²²
Latvia	Yes	Official NSRF draft submitted to Commission on 6 February 2006
Lithuania	Yes	Official NSRF draft submitted to Commission on 15 March 2006
Luxembourg	No	Official NSRF draft not yet available
Malta	Yes	Official NSRF draft dated March 2006 ²³
Netherlands	Yes	First NSRF draft submitted to Commission in April/May 2006
Poland	Yes	Final post-consultation version submitted to Commission in May 2006 . Earlier draft dated January 2006 ²⁴
Portugal	No	No official draft available yet, but preliminary presentation of the strategic approach and priorities dated April 2006 ²⁵
Romania	Yes	Official NSRF draft dated April 2006 ²⁶
Slovakia	Yes	Second draft NSRF dated May/June 2006 (first draft was adopted in October 2005). Elections in mid-June might involve a change in the strategic approach ²⁷
Slovenia	Yes	Official NSRF sent to Commission in late May 2006
Spain	No	No official draft available, however discussions with Commission ongoing and productive. Formal submission of NSRF anticipated November 2006
Sweden	Yes	No official draft available, but an initial draft was submitted to Commission in April 2006
United Kingdom	Yes	Official NSRF draft produced on 28 February 2006 for consultation over three-month period to May 2006. Consultation responses currently being analysed ²⁸

²¹ Government of the Hungarian Republic, (2006) *DRAFT (first review) The Programme of a New Hungary*, 28 February 2006.

²² Repubblica Italiana (2006) *Quadro strategico nazionale per la politica regionale di sviluppo 2007-13 (Bozza tecnico-amministrativa)*, April 2006.

²³ Malta (2006) *National Strategic Reference Framework 2007-13. Draft document for Consultation*, March 2006.

²⁴ Republic of Poland, Ministry for regional development (2006) *Draft National Strategic Reference Framework*, 14.02.2006.

²⁵ Vitorino N (2006) *Cohesion Policy in Portugal*, presentation by Nuno Vitorino, National NSRF coordinator, 26.04.2006.

²⁶ Government of Romania (2006) *National Strategic Reference Framework 2007-13 Draft*, April 2005.

²⁷ However, the information on Slovakia is drawn from Lubice Sabadošová (national NSRF coordinator), Ministry for Construction and Regional Development, presentation "Strategy of Slovakia for the 2007-2013 programming period", 23.11.2005.

²⁸ DTI Regional European Funds Directorate (2006) *Draft National Strategic Reference Framework*, Issued for Consultation 28.02.2006.

4. SCOPE AND STRATEGIC FOCUS OF THE NSRFs

According to the Regulation (Article 25), the National Strategic Reference Frameworks should be a “reference instrument for preparing the programming of the Funds”, with the purpose of ensuring that Community structural aid is consistent with the CSGs and with the National Reform Programmes. In principle, the NSRF should²⁹:

- present a *strategy chosen on the basis of an analysis* of “development disparities, weaknesses and potential” (similar to the programming documents of the current period);
- entail a *country-wide approach*, i.e. a comprehensive, national strategy which applies to both the Convergence and the Regional Competitiveness and Employment regions; and
- outline *thematic and territorial priorities*.

The NSRF, however, will not have the binding character of the current CSFs and OPs/SPDs and the regulations are not prescriptive in defining the structure and necessary content of the document, leaving the Member States with significant room for manoeuvre.

The analysis that follows is based on an extensive research encompassing all EU25 Member States and the two Acceding Countries, and based on an analysis of: available NSRF drafts, secondary documental evidence (for the NSRFs which were not available to the research team) and on interviews with Member State authorities and Commission officials.

4.1 Making strategic choices

The interviews and documentary research conducted to prepare this report suggest that current NSRF drafts are rather general and sometimes vague. In some cases, they lack the anticipated nationwide approach and fail to link analysis and strategy, and the strategy with a clear hierarchy of priorities. The stated goals are often unquantified and presented without a clear hierarchical identification of the investments and resources needed, and of the outcomes to be delivered by the different parts of the strategy as a whole. Perhaps, as noted in the June 2006 Issue Paper of the Austrian Presidency,³⁰ this is a consequence of the intrinsic nature of the NSRF document which has to be, at the same time, a strategy - i.e. “a deliberate decision and choice between options” and a framework document, i.e. avoiding decisions and choices, acting instead as an umbrella for different needs and interests.

As already noted in recent IQ-Net research, in some countries the document has been kept deliberately open in order to: (i) accommodate a wide range of differing regional/sectoral views; (ii) conform to an institutional framework which does not assign to the

²⁹ Art. 27 of Council Regulation (EC) No. 1083/2006 of 11 July 2006.

³⁰ Austrian Federal Chancellery, Division IV/4 (2006) *Governance of territorial strategies: going beyond strategy documents. Issue Paper*, June 2006, p. 3.

national/federal level a predominance over the regions (e.g. **Germany, UK**); or (iii) ensure enough elasticity for future decision-making (e.g. **France**).

The challenge to adopt a focused approach appears particularly severe for those countries which present a high degree of territorial variation in eligibility terms - for example, **Italy, Greece, Portugal** and **Spain** with their varied Convergence, Phase-in, Phase-out and Competitiveness eligibility (see Table 4). It is also problematic for countries with dualistic or significant regional socio-economic and territorial disparities (e.g. **Germany, Italy** and **Poland**). In the new Member States, as the analysis of the programmes' overarching goals and priorities in the paragraphs below shows, the NSRFs tend to include a very large set of public policy actions. The extent to which a coherent strategy will be achieved will emerge only from a thorough analysis of the programming documents and the resources allocated to different types of funding.

Table 4: Territorial eligibility in Greece, Italy, Portugal and Spain

	Convergence	Phase-out	Phase-in	Competitiveness & employment
Greece	Anatoliki Makedonia, Thessalia, Ipeiros, Ionia Nisia, Dittiki Ellada, peloponnisos, Voreio Aigaio, Kriti	Kentriki Makedonia, Dytiki Makedonia, Attiki	Sterea Ellada, Notio Aigaio	
Italy	Calabria, Campania, Puglia, Sicilia	Basilicata	Sardegna	All other regions and the two autonomous provinces of Trento and Bolzano
Portugal	Notre, Centro Alentejo, Açores	Algarve	Madeira	Lisbon
Spain	Andalucia, Castilla-La Mancha, Extremadura, Galicia	Asturia, Ceuta Melilla, Murcia	Canarias, Castilla y León, Comunidad Valenciana	Aragón, Baleares Cantabria, Cataluña, La Rioja, Madrid Navarra, País Vasco

4.2 Nation-wide strategies?

For some federal or devolved countries, the drafting of the NSRF has not resulted in the creation of a common nation-wide strategy. In **Germany**, two overarching goals are presented in the NSRF for the Convergence and Competitiveness regions respectively. However, for the Competitiveness Objective, besides a number of Fund-specific goals, the document notes the strong differences between the regions (e.g. economically strong metropolitan areas, peripheral rural areas, and industrially restructuring areas). It states that it is not possible to provide a comprehensive strategy for all Objective 2 regions and that separate regional strategies will have to be developed. In **Belgium**, the three regions - Brussels city region, Wallonia and Flanders - have worked on their sub-sections of the NSRF almost independently. The NSRF will be composed of these sub-sections collated together. Similarly in the **United Kingdom**, while the NSRF sets out common overall objectives - sustainable growth, increased prosperity and better quality of life with opportunities for all

- in reality, separate priorities are outlined for the four nations and Gibraltar, in line with the domestic devolved framework for economic development.

This having been said, in the majority of countries the NSRF is indeed a national document which outlines a comprehensive, nation-wide strategy. The **Italian** NSRF draft, for example, foresees a common set of objectives and priorities for all parts of the country - Convergence, Phase-out, Phase-in and Competitiveness. However, at the same time, it explicitly acknowledges that the regions and national administrations have the flexibility to choose from these in the definition of the strategies of the individual OPs. Similarly in **France**, the NSRF outlines four nation-wide priorities (plus one applicable to the overseas regions only), but also specifies different sub-priorities for the Convergence and Competitiveness regions, under ERDF and ESF, and lists a wide-ranging set of interventions for the OPs to choose from. Somewhat along these lines, in **Finland**, the NSRF draft has only three priorities which will also be the basis for the regional OPs, but then leaves it to the OPs to identify key themes which are tailored to their strategic needs.

It would appear that many of the NSRFs either give up the goal of devising a common nation-wide strategy (e.g. **Germany** and **UK**) or opt to devise a strategy only in very broad, generic terms, deferring the real decision-making to the preparations of the OPs - engendering the risk of losing national strategic consistency. Even so, and as will be seen below, the thematic orientation of the NSRFs is quite clear. The documents reflect the CSG and the objectives of Cohesion policy. By contrast, the territorialisation of strategies is proving more controversial.

4.3 Territorialising investment choices

The territorial choices of the programmes require an acceptable balance in combining longer-term, Lisbon-oriented goals with more equity-related aspects. This is particularly evident in dual or territorially diversified countries, not just amongst the EU15 (e.g. **Germany, Italy, Portugal**), but also and perhaps more significantly in the new Member States (e.g. **Slovenia**). As already discussed in a previous IQ-Net paper, a rather large number of countries - such as **Austria, France, Greece, Hungary, Italy** and **Poland** - are anticipating some sort of spatial concentration on 'growth poles', 'competitiveness poles' or 'excellence poles/systems', implying a shift from areas in need to areas of potential (also within the areas of need).

Clearly, the territorial choices made in future strategies are particularly sensitive in the Regional Competitiveness and Employment regions and in those Member States which are losing significant amounts of funding (e.g. **UK**) or where overall Cohesion funding is low (e.g. **Denmark, the Netherlands**). In some cases, the territorial choices anticipated in the NSRF are closely related to existing domestic policies. In the Netherlands, for example, the NSRF reflects very heavily the national regional policy framework (Peaks in the Delta), which has raised some concern in the Commission.³¹

³¹ The proposed focus on four national centres of potential is not viewed positively by the Commission who advocate more emphasis on the less-developed north of the country.

NSRF territorial choices are also crucial in the new Member States and Acceding Countries where the large amount of funding through the Structural and Cohesion Funds allows for comprehensive investments in physical infrastructure. In this case, finding the appropriate balance between investing in areas of potential, to promote national growth, and supporting the weakest regions, to achieve internal cohesion, will be a challenge. Some countries appear particularly concerned about the catching-up of their weakest regions.

- In **Latvia**, the NSRF declares a focus on areas of the greatest need, which are also considered to be those with the highest return. It also stresses that administrative constraints require the selection of a limited number of key interventions where there is most potential to achieve development goals.
- Similarly, the **Slovakian** NSRF draft anticipates that the allocation of funding within the OPs (and each priority) should take account of regional territorial differences, with higher financial allocations for regions that are lagging behind.
- In **Poland**, substantial resources have been ring-fenced for the eastern regions - the country's poorest regions and amongst the poorest in the EU (eastern Poland has the five poorest regions in the EU, with GDP per inhabitant less than 40 percent of the EU average). However, this is somewhat counter-balanced by the existence of a national spatial development plan to strengthen Poland's nine major agglomerations which are seen as drivers of the Polish economy (mostly in the western part of the country).
- In similar vein, in the **Czech Republic**, regional development concerns will be treated as a horizontal theme in the programmes. All of the OPs aim to take the particular needs of lagging regions into account and some resources, probably around 13 percent, will be set aside in each programme to fund development in lagging regions.

The emergence of selective joint territorial programmes - such as that for the eastern regions in Poland - appears to be one of the new features of future programming. This contrasts with past and current national/multi-regional OPs which tend to focus on the entire Objective 1 area in any given country. A similar territorially selective OP can be found in **Hungary**, covering the areas of Lake Balaton and the Danube and Tisa rivers. Options along these lines have also been discussed in **Italy**.

Other countries appear more concerned with national growth, which is targeted by focusing investments in growth areas. The idea is that polarisation and specialisation over the longer term creates higher economic added value and spill-over effects into adjacent areas. This is particularly the case in the **Netherlands**, as already noted, but also to an extent in **France**, **Greece** and **Hungary**.

In some of the NSRFs, it is difficult to anticipate what the real territorialisation choices will be, as the documents tend to display elements of both approaches. In **Denmark**, for example, the NSRF intends to build a link between the country's four largest cities (Copenhagen, Odense, Århus and Aalborg) and the large rural areas; this is also one of the

objectives of the 2005 Business Development Act. However, concerns have been expressed by some regional administrators regarding the fact that supporting the country's least-developed areas will no longer be a priority given the emphasis placed on overall national competitiveness and growth.

Particularly for the Regional Competitiveness countries, it is still too early to be able to assess the real content of the NSRF strategies as, in most cases, choices on the allocation of resources amongst and within regions are not yet known. Some of the available NSRF drafts - e.g. those for Italy and Germany - do not have a chapter on the resources allocated to the regions because these have not yet been decided. The trade-offs relate not just to the development models chosen (e.g. a focus on areas of potential to maximise the impact of fewer resources, e.g. **Denmark, Netherlands**), but also to the ability of areas to absorb funding and deliver high-quality projects (e.g. **Poland and Czech Republic**). The same considerations apply to the future allocation of resources within regions.

A further problematic aspect which affects resource allocation is the division of funding between national and regional administrations and the weight/rationale attached to national OPs. An emerging trend seems to be a likely further regionalisation of allocations (e.g. in **Italy, Portugal and Spain**). Also, some concentration may occur through a reduction of the number of national OPs. For instance, in **Portugal**, there are plans to move from the current 12 sectoral OPs to just three thematic OPs. In **Italy** too, current thinking seems to indicate that there will be only five national OPs, as opposed to the current seven. Such trends are, however, not clear or uni-directional. In **Greece**, for example, while the government has announced that around 80 percent of future Cohesion funds will target projects in the regions, this could be done as part of either regional or sectoral OPs. The government is in favour of a reduction of the number of regional OPs. A further funding-related element which is affecting the strategies concerns the balance of ESF and ERDF support. In **Germany and Finland** this has raised the question of how ESF funding should be channelled, i.e. at *Bund*/national or *Land*/regional level.

4.4 Changing direction

Taking account of the above caveats, there would appear to be two major strategic shifts. First, there is the explicit 'Lisbonisation' of the programmes. Driven by the Commission and the Council through the Community Strategic Guidelines and the drafts of the Regulation, the increased alignment of Cohesion policy with the objectives of the renewed Lisbon agenda is a common trend across all EU27 countries, as the analysis of overarching goals and priorities below will show. For some of the EU15, this is not considered to be an element of particular innovation, since current strategies are considered reasonably well aligned with the Lisbon goals (e.g. **Italy and Spain**) - especially since the review of programmes which followed the mid-term evaluations. As already described, the earmarking of expenditure foreseen by the draft Regulation may contribute to this strategic shift at an operational level.

A second element of relative innovation concerns the preparation of coherent, comprehensive, long-term national development strategies. In the EU10 and the Acceding Countries (Bulgaria and Romania) in particular, this is the first opportunity for the

development of comprehensive and long-term strategies which can be linked to clear and certain resources. The Structural Funds programmes implemented in 2004-06, and pre-accession aid, had a relatively low level of funding - particularly for the smaller EU10 countries - and had to be concentrated on limited, selected investments and instruments. With the 2007-13 strategies, the new Member States have an unprecedented opportunity to implement long-term, comprehensive development strategies which, while reflecting the objectives of growth and employment, can also be adapted to the specific needs of each country and its regions: for example, filling the remaining gaps in the available infrastructure (transport, energy supply, water supply etc.) or responding to specific social problems, such as social exclusion, ageing and outmigration. The lack of previous experience with large-scale, long-term strategies implies, amongst other things, that the new Member States may not have sufficient information, indicators, evaluations etc (compared to the EU15) to support strategic thinking. This is one of many factors which has made the definition of the strategic content of the NSRFs a challenging task.

For the EU15, on the other hand, the strategies contained within the NSRFs appear in a large number of countries to broadly represent a continuation of current programmes. This is, for example, the case with **Denmark, Finland and Italy**. Such continuity can also be found at the level of the OPs.

4.5 Finding a balance between equity and efficiency

It is, of course, difficult to establish the relative weight placed on equity (support for lagging regions) or efficiency (national competitiveness and growth). However, broadly speaking, the EU27 countries might be classified in three broad groups:

- countries with a clear focus on efficiency
- countries with a mixed approach, and
- countries where equity considerations are predominant.

As the analysis of NSRF goals and objectives in Table 7 below shows that the first group consists of a number of EU15 Member States (e.g. Austria, Denmark, Ireland, the Netherlands and the UK). In **Ireland**, for example, 2007-13 Structural Funds support will be much more focused and selective, with a strong emphasis on the competitiveness agenda. In **Austria, Denmark, the Netherlands** but also, to an extent, the **UK**, the main stress is on efficiency because of the emphasis placed on national development objectives which are *per se* oriented towards competitiveness rather than regional catching-up.

Most countries, however, seem to be aiming for a balance between competitiveness and cohesion. The rationale for this is that supporting the overall competitiveness of regions or countries as a whole - for instance by focusing on growth, excellence or competitiveness poles and market reforms - is seen as a means to achieve increased equity in the longer term. For example, in **Germany**, the catching up of the eastern *Länder* is still the main goal of policy. Nonetheless, even here, the consequences of reunification are considered to require further changes in economic development policies, notably by focusing funds in the new *Länder* on those economic centres which have emerged as the most dynamic, with the aim of enhancing the overall catching-up process of the new *Länder*. This will apply in

particular to innovation and technology transfer measures. The NSRF states that the core fields of development policy are: support for business, aimed at expanding the business base and creating jobs; an even stronger RTDI focus on linking the research base and business, in order to facilitate the transfer of innovative ideas to marketable products; and targeting infrastructure support on closing gaps in transport links in order to enhance accessibility and to improve the attractiveness of towns. This new approach will require a qualitative shift in existing national public resources towards greater support for R&D, as well as directing a larger share of Structural Funds' resources towards R&D, innovation and ICT.

4.6 Achieving coherence with domestic policies

The analysis of the expected content of the NSRFs suggests a possible differentiation amongst countries with respect to the basis for policy. As noted earlier, a number of Member States have approached the strategy-making process in a more selective and targeted way, reducing the scope and amount of consultations and partner involvement. This links conceptually with the fact that a considerable number of countries and regions seem to be adopting existing strategies (domestic regional policy and/or economic development policy more generally) as the basis for future Cohesion policy.

In some Member States the NSRF seems to be more 'policy-driven' than 'needs driven', e.g. **Denmark, Finland, Ireland, the Netherlands, Sweden and the United Kingdom** (see Table 5). This seems to apply particularly to those Member States which will see a substantial reduction in Cohesion policy funding over the next seven years (e.g. the UK where Structural Funds resources will broadly halve, from €18.07 billion in 2000-06 to €9.42 billion in 2007-13, or Sweden where EU funding will go from €2.3 billion to €1.7 billion), to countries where Cohesion policy funding was already relatively low (e.g. Denmark, with its current €688 million, and future €542 million) and to countries where regional policy has little weight *per se* (e.g. the Netherlands).

Table 5: Policy-driven NSRF strategies

Denmark	The NSRF reflects the general Danish approach to regional economic development and the government's 2005 Business Development Act, both based on the four OECD growth drivers: quality of human resources, innovation, ICT and entrepreneurship
Finland	The NSRF is being developed in line with the 2002 Regional Development Act and the subsequent 2004 Government Decision on Regional Policy Targets.
Ireland	The NDP will be closely linked to the Irish Spatial Development Plan and its emphasis on gateway towns.
Netherlands	Peaks in the Delta, the national spatial strategy is the main inspiration for the NSRF.
Sweden	The NSRF will reflect the key strategies of Swedish economic development policy, such as the Innovation Strategy and the sustainable development topic
United Kingdom	The NSRF will be closely aligned to UK regional policy which is increasingly driven by productivity and competitiveness considerations. Infrastructure-based activities are being left behind and, although themes such as sustainable communities can be found in the draft NSRF, concepts such as city-regions are very much to the fore. The alignment with domestic strategies applies also to the individual nations and regions (e.g. in Scotland the Framework for Economic Development will be at the heart of future Structural Funds programming)

By contrast, countries that have the certainty of a considerable level of future funding from the Structural Funds, like Greece³² and Italy and the EU10, are tending to root their strategies in an *ex novo* reflection of development disparities, problems, challenges and needs, rather than relying on existing domestic policies (e.g. for Italy see Table 6). For the new Member States, such reflection has often been started with the preparation of NDPs prior to the launch of the NSRF development process. In these countries, in particular, the 2007-13 Structural Funds programmes will, as already noted, represent the first real opportunity for the development of integral, long-term strategies and, equally importantly, will address the shortcomings of current programmes.

Table 6: Diagnosis of problems and solutions for the development of the *Mezzogiorno*

Diagnosis (Needs)		Policy Response (Strategy)
Mezzogiorno		
To ensure minimum standards of essential services		Introduction of binding targets for key essential services.
Joint agreement on the strategies adopted and increased openness of decision-making processes		Opening up the programming process
Increased concentration and selectivity of projects to be implemented on a few key priorities		Increased targeting of interventions: more selectivity and clear strategic choices
Full use of the banking system in the selection and co-financing of projects		Involvement of the banking system in the fields of aids to businesses and delivery of collective services.
Persisting limits in governance, such as: <ul style="list-style-type: none"> • inadequate horizontal and vertical institutional coordination (between regions and between regional and local authorities); • insufficient policy integration and coordination (e.g. between Cohesion policy and other policies, between domestic and European regional policy, across funds etc.); • deficient coordination over time between operational and financial procedures. 		Overcoming the limits of the governance system by: <ul style="list-style-type: none"> • strengthening horizontal and vertical cooperation between institutions • promoting integration across and within policies • adopting a programming system aligned with the financial cycle.

Source: Barca F (2005) *Hints on the topic of competitiveness delay and development policies in the various Italies*, July, pp. 37-47.

³² For an account of the extensive strategy formation process in Greece, see Agourides D, Director General of the Management and Organisation Unit of the Community Support Framework (2006) *Implementation of Cohesion Policy in Greece. Programming Process for 2007-13 Structural Funds Interventions*, presented at the XX IQ-Net Conference, Glasgow, 26 June 2006.

5. THE OBJECTIVES OF THE NSRFs

5.1 Overarching goals

In line with the strategic foci of the NSRFs discussed in the previous section, the universal goal of all Member State frameworks is higher national growth and competitiveness. This is, however, addressed or interpreted in different ways by Member States, as indicated in Table 7. From the table, seven categories of development objective can be identified:

- *a competitive economy*, to be achieved mainly through innovation, R&D and the knowledge economy, but also through support to the business sector (in virtually all Member States and in the two Acceding Countries);
- *(sustainable) growth and employment* (which can be found in basically every country, even when not mentioned explicitly as the main strategic goal of the NSRF, e.g. in Denmark);
- *quality of life and/or territorial attractiveness* (in Bulgaria, Czech Republic, Hungary, Malta, but also in Austria, Finland, Germany, Sweden and the UK);
- *development of human capital and more general societal modernisation* (in Bulgaria, Czech Republic, Denmark, France, Germany, Greece, Italy, Latvia, Malta, Poland, Romania, Slovenia and Spain)
- *social cohesion* (in Bulgaria, Cyprus, Czech Republic, France, Lithuania and Portugal);
- *balanced territorial development/sustainable development* (in Austria, Belgium, Bulgaria, Czech Republic, France, Italy, Poland, Portugal, Slovakia, Slovenia, Spain and Sweden);
- *European or national convergence* (an explicit strategic objective in Cyprus, Latvia, Romania, Slovakia for the EU12 and in Germany, Italy and Portugal for the EU15; although European convergence is *de facto* an overarching objective of the NSRFs of all new Member States).

This categorisation is based on the main goals set out in the framework documents (or derived through fieldwork research); clearly such goals do not necessarily reflect the actual priorities and interventions mentioned in the NSRF, nor will they necessarily be closely matched by the interventions and territorial choices operated by the OPs. However, the categorisation does provide an indicative overview of the broad policy preferences expressed in the available NSRFs.

Bearing in mind these caveats, Figure 1 indicates how the above categories apply to each of the Member States. From the figure, it can be seen that the NSRFs of the EU15 Regional Competitiveness and Employment countries tend to be more oriented towards competitiveness, growth and jobs, whereas the new Member States, Acceding Countries, and EU15 Member States with sizeable Convergence funding (Germany, Greece, Italy, Portugal and Spain) have a much wider set of goals. This is not surprising and reflects the Community Strategic Guidelines and Regulation drafts. At the same time, this different orientation of policy preferences seems to point to the adoption of different development paths. The more narrow focus on innovation, R&D and SME competitiveness (Lisbon agenda) of some Member States is matched elsewhere by a growth pole/competitiveness/excellence pole strategy, and/or with contextual interventions, such as the improvement of services of

General Economic Interest (and, also, of collective services more generally), institutional reforms and market reforms as well as the up-grading of the existing infrastructure (particularly in countries eligible for the Cohesion Fund). In a few countries, specific, additional objectives are mentioned, such as the consideration of Gozo's regional distinctiveness in Malta and rural development in Poland.

Table 7: NSRFs overarching strategic objectives

Country	Overarching objective(s)
Austria	To ensure the “Quality of Life, Income and Employment in Austria” and to strengthen “the competitiveness of the regional economies, increase the attractiveness of Austria’s regions based on the principles of sustainable development”. Strong focus on innovation and the knowledge economy (though with some limitations, e.g. innovation intended in a broad sense)
Belgium (Flanders)	Innovation, entrepreneurship and urban development
Bulgaria	To become by 2013 a country with a higher standard of living, based on sustainable socioeconomic growth during the process of full integration into the European Union. Two medium-term goals: (i) To attain and maintain high economic growth through a dynamic knowledge-based economy in accordance with the principles of sustainable development; (ii) to improve the quality of human capital and to achieve employment, income and social integration levels which provide higher living standards.
Cyprus	To help achieve high rates of sustainable economic growth, conditions of full, high-quality employment and social cohesion, thereby contributing to real convergence with the more developed Member States of the European Union. To ensure the achievement of this general strategic objective, efforts are predicated on improving the competitiveness of the Cyprus economy and constantly enhancing the standard of living and quality of life on the island.
Czech Republic	To transform Czech Republic’s socio-economic environment in compliance with the principles of sustainable development, so as to make the Czech Republic an attractive location for investment as well as for the work and life of its citizens. By means of incessant strengthening of the country’s competitiveness, a sustainable development will be reached which will proceed at a pace higher than the EU 25 average. The CR will strive to boost employment and to pursue a balanced and harmonised regional development, which will result in enhancing the quality of life of the country’s population.
Denmark	Becoming the most competitive society in the world by 2015 tapping onto four drivers of economic development: human resource quality, innovation, ICT, entrepreneurship.
Estonia	NA
Finland	NSRF is building on themes developed during the present programming period, with emphasis on innovation, knowledge economy and information society.
France	Economic environment and firm support with a particular focus on research and innovation; training, employment, human resource management and social inclusion; environment and risk prevention; sustainable territorial development; improved accessibility and compensation for specific constraints (only for overseas regions).
Germany	The overarching goal for Objective 1 is to achieve convergence, and to raise welfare through sustainable development, especially economic growth and the improvement of employment prospects. There are also three sub-goals that cover both the ERDF and ESF, namely: (i) to develop an economy based on innovation and knowledge; (ii) to develop competitive and attractive regions through investment in enterprises and infrastructure; and (iii) education, training and strengthening of the adaptability of workers and the working age population. For Objective 2, the overarching goal is to improve regional competitiveness and employment. Again there are a sub-set of Fund-specific goals.
Greece	Raise the sustainable growth rate of Greece so as to foster growth and employment.
Hungary	Establish a knowledge based economy and society; strengthen the role of research and development and innovation within the economy; create a modern infrastructure for research and development; create and enhance development poles; increase the economic, intellectual and cultural attraction of the country through creativeness as well as initiative and creative participation within the international arena.

Table 7: NSRF overarching strategic objectives - continued

Country	Overarching objective(s)
Ireland	Competitiveness, innovation, growth and employment.
Italy	To tackle the difficulties which have caused the persisting stagnation (social and productivity-related): supply and promote collective services, guarantee general conditions of competitiveness, ensure a high level of competencies, improve entrepreneurial innovation (linked to a non competitive capital market and to a weak research system), make the capital market efficient.
Latvia	Growth and catching up with the EU. Cohesion policy assistance should be applied to leverage the implementation of the National Development Plan, which has the development of “educated, creative and motivated individuals” as a central theme. Structural and Cohesion Fund support will be focused on supporting educational measures, technological excellence and flexibility, the development of science and research and the development of a knowledge based economy.
Lithuania	Rapid growth of the economy for a long period; more and better jobs, and social cohesion.
Luxemb'rg	Lisbon agenda and competitiveness.
Malta	Sustaining a growing and knowledge-based, service-oriented economy; improving the quality of life of citizens; investing in human capital; addressing Gozo's regional distinctiveness.
Netherl'd	Support the Peaks in the Delta areas of potential and innovation support.
Poland	Creation of conditions for maintaining the high pace of durable economic growth; employment growth through the development of human and social capital; improvement of the competitiveness of Polish enterprises, including in particular the service sector; development and modernisation of technical infrastructure for competitiveness; increase of the competitiveness of Polish regions and preventing their social, economic and territorial marginalisation; rural development.
Portugal	Sustained growth; social and territorial cohesion; territorial and urban development; human resource development
Romania	Vision: to create a competitive, dynamic and prosperous Romania. Objectives: to reduce social and economic development disparities between Romania and the EU Member States; and to reduce the disparities with the EU by generating an additional 10 percent increase in Romania's GDP by 2015
Slovakia	To increase the competitiveness and performance of the Slovak economy and its regions by the year 2013, while respecting the goal of sustainable development.
Slovenia	NA
Spain	NA
Sweden	Innovation, employment and sustainable economic growth, in line with Lisbon/Gothenburg and to create well functioning local labour markets and maintain an acceptable level of services in all parts of the country (Regional Development Bill, December 2001)
United Kingdom	To raise the rate of sustainable growth and achieve rising prosperity and a better quality of life, with economic and employment opportunities for all. This includes improving the economic performance of every part of the UK, as 'unfulfilled economic potential in every nation, region and locality must be realised to increase the UK's long-term growth rate'. Separate high level priorities for England, Scotland, Wales, Northern Ireland and Gibraltar, and then for Convergence and Competitiveness objectives.

Figure 1: The overarching goals of NSRFs

	Austria	Belgium (FL)	Bulgaria	Cyprus	Czech Rep.	Denmark	Estonia	Finland	France	Germany	Greece	Hungary	Ireland	Italy	Latvia	Lithuania	Luxembourg	Malta	Netherlands	Poland	Portugal	Romania	Slovakia	Slovenia	Spain	Sweden	United Kingdom
Competitive economy (R&D, innov., K.E., firms)	■	■	■		■	■		■	■	■	■	■	■	■	■		■	■	■	■		■	■	■	■	■	■
Growth and employment	■	■	■	■				■		■	■		■	■	■	■		■	■	■	■	■	■	■	■	■	■
Quality of life / territorial attractiveness	■		■		■			■		■		■						■								■	■
HR development and/or societal modernisation			■		■	■			■	■	■			■	■			■		■		■		■	■		
Social cohesion			■	■	■				■							■					■						
Balanced territorial/ sustainable dev.	■	■	■		■				■					■						■	■		■	■	■	■	
Convergence (European or national)				■						01				■	■						■	■	■				
Other																		■		■							

In order to develop further the insight into the strategies of each NSRF, the following sections present a synthetic description of the main goals and priorities for each group of countries:

- Regional Competitiveness and Employment strategies - Austria, Belgium, Denmark, Finland, France, Ireland, Netherlands, Sweden and the United Kingdom³³
- Transitional/mixed strategies (combining Convergence with Regional Competitiveness funding) - Cyprus³⁴, Germany, Greece, Italy, Portugal and Spain
- Convergence Strategies - Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia; plus the Acceding Countries - Bulgaria, Romania.

5.2 NSRF Regional Competitiveness and Employment strategies

Starting with **Austria**, the overall objectives of the NSRF are to ensure the 'Quality of Life, Income and Employment in Austria, and to strengthen "the competitiveness of the regional economies, increase the attractiveness of Austria's regions based on the principles of sustainable development".³⁵ In order to achieve these goals, the NSRF places a strong emphasis on innovation and the knowledge economy, intended in a broad sense as a "complex societal process, which cannot and shall not be reduced to technological dimensions only".³⁶ The NSRF is built around four priorities: (i) innovation and knowledge based economy; (ii) attractive regions and competitive business locations; (iii) qualification and adaptability of the employed and self-employed; and (iv) territorial cooperation. Additionally, the theme of governance is presented as a horizontal priority, instrumental to the implementation of the strategy devised, and encompassing measures for strengthening regional managements, cluster managements and other forms of bottom-up regional development initiatives.

The **Belgian** NSRF is not yet available and, as already noted, will comprise three separate strategies devised by the Brussels, Flemish and Walloon governments. The Flemish NSRF chapter will focus on innovation and the knowledge economy, entrepreneurship, economic environment and also urban development. Further, aspects of rural and sustainable development will be integrated in the form of specific objectives within the main priorities of the two OPs to be implemented in Flanders. The main change compared to the current programming period is a much greater focus on innovation-related themes and a more significant orientation towards competitiveness. The focus on urban centres will also be more marked, as aspects of urban development are not only covered through a specific priority of one of the two OPs, but there is also the possibility to carry out related projects in the framework of the other priorities.

The **Danish** NSRF is also extremely Lisbon-oriented. It is based on the NRP and aims to strengthen Danish (and EU) competitiveness and employment. The strategy was devised

³³ Luxembourg is not included because of a lack of information.

³⁴ As already mentioned, Cyprus is included in this category because whilst being fully eligible to the Competitiveness Objective (Phasing in) it also receives support from the Cohesion Fund.

³⁵ STRAT.AT (2005), Executive Summary of the final draft, p. 9.

³⁶ *Ibid.* p.7.

from an analysis of the challenges presented to Denmark by globalisation and from an analysis of fields in which the Structural Funds may deliver the greatest value. It reflects the domestic regional policy approach, which is based on the four OECD growth drivers: quality of human resources (lifelong learning, knowledge workers in private firms, inclusive labour market); innovation (more interaction with knowledge institutions, user-driver innovation in SMEs); ICT (increase production/use, improve infrastructure, increase competences, digital administration); and entrepreneurship (advisory services, strengthen capital markets, strengthen enterprise culture). These four drivers are the central pillars of the post-2006 Structural Funds strategy for Denmark and for the achievement of the overall Danish goal of becoming the most competitive society in the world by 2015. The document has two main priorities: (i) innovation and knowledge; and (ii) more and better jobs. Additionally, four thematic horizontal priorities are also identified: support for peripheral areas, cities and rural areas (urban-rural partnership); environmental policy (renewable energies, environmental technologies); equal rights (gender and immigration); and employment policy (with a focus on investing in human capital, promoting the flexibility of the labour market and increasing the supply of labour).

In **Finland**, the NSRF will be based on three different components: basic funding for regions that do not fall within the criteria for Phase-in regions (Northern, Western and Southern Finland and the Åland islands); Phase-in treatment for the region of Eastern Finland; and special additional funding for the Eastern and Northern regions on account of their sparse population. The first NSRF draft identifies three broad priorities for all three areas: (i) business and innovation (ERDF); (ii) knowledge, workforce, employment and entrepreneurship (ESF); and (iii) competitive business environments (ERDF). By focusing on these priorities, the NSRF is building on themes developed during the present programming period. The broad goals of the programme are likely to be similar to those currently being followed with, if anything, even more of a focus on competitiveness (and the Lisbon agenda) than at present.

The **French** NSRF draft contains five strategic objectives and a list of themes/priorities from which the regions can choose to develop their strategies. The strategic objectives are: (i) support for the economic environment and business support, with a particular focus on research and innovation; (ii) support for training, employment, human resource management and social inclusion; (iii) environment and risk prevention; (iv) sustainable territorial development; and (v) for the overseas regions, improved accessibility and compensation of specific territorial constraints. The NSRF suggests a number of priorities (synthesised in Table 8) from which a limited number will be selected to develop the OPs.

Table 8: Objective 1 and Objective 2 priorities of the French NSRF

	ERDF	ESF
O1	<ol style="list-style-type: none"> 1) Promotion of territorial competitiveness and attractiveness 2) Environmental preservation for sustainable development 3) Promotion of social and territorial cohesion 4) Compensation of specific constraints for overseas regions 	<ol style="list-style-type: none"> 1) Adaptation of workers and firms 2) Prevention of unemployment 3) Support of inclusion and fight against discrimination 4) Promotion of partnership and networking to support employment and social inclusion 5) Investment in human capital 6) Institutional and administrative capacity building 7) Development of innovative transnational or interregional actions for employment and social inclusion
O2	<ol style="list-style-type: none"> 1) Support to innovation and the knowledge economy 2) Development of ITC to support the economy and the information society 3) support to firms following a territorial development approach 4) environmental protection and risk prevention in a perspective of sustainable development 5) development of alternative transport modes for individuals and economic activities 	<ol style="list-style-type: none"> 1) Adaptation of workers and firms to economic change 2) Improved access to employment for job seekers 3) Promotion of social inclusion and fight against discriminations 4) Investment in human capital 5) Development of partnerships and networking for employment and inclusion 6) Support to innovative transnational or interregional actions for employment and social inclusion
O3	<p><i>Cross-border cooperation:</i> Optimisation of conditions for a balanced economic, social and environmental development</p> <p><i>Transnational cooperation:</i></p> <ul style="list-style-type: none"> - Competitiveness and innovation - Environment and risk management/ prevention - Accessibility and transports - Enhancement of territorial networking - Coordination with the ENP <p><i>Interregional cooperation:</i></p> <p>Capitalisation of results, exchange of experiences, enlargement of existing networks, enhancement of diffusion and appropriation of good practices</p>	

In Ireland, the NSRF is being developed in parallel with the National Development Plan (NDP) and will be based on the NDP and the pre-existing National Spatial Strategy (NSS). The NSRF is intended to be a focused 'strategic document', emphasising competitiveness and innovation. A key issue is to ensure that the limited Structural Funds resources are targeted on the most appropriate investment choices and where match-funding is available. For this reason, some fields of interventions which were included in 2000-06 are now being left out (e.g. renewable energies). ESF spending is also going to be quite selective, focusing on key weaknesses in the labour market and life-long learning.

At present, the draft includes five main priorities: (i) people, education and training, with a focus on increasing labour market participation amongst key groups, including older people, new migrants and possibly women, and on life-long learning; (ii) accessibility, with a focus on technical infrastructure, i.e. broadband; (iii) innovation and entrepreneurship (SME support and measures implemented by the County Enterprise Boards, but also innovative locations, networking and linkages into the local economy); (iv) environmental quality, such

as water management; and (v) supporting the National Spatial Strategy, the aim being to use Structural Funds to lever money from other sources and focus on supporting development in the gateway towns identified in the NSS.

A similar territorial focus can be found in the **Netherlands**, where the NSRF will reflect the national regional policy memorandum 'Peaks in the Delta' and hence be focused on a few, selected growth nodes. The emphasis placed on the north of the country (the traditional 'problem region' in the Netherlands) appears somewhat secondary. The strategy will be implemented through four regional programmes (all eligible under the Regional Competitiveness and Employment Objective), compared to six 'Peaks in the Delta' programmes. This may involve some tensions with respect to the strategic focus (the limited emphasis on the North) and the implementation of the OPs (expected to be more bottom-up than the approach adopted for the implementation of 'Peaks in the Delta').

In **Sweden**, the preparation of the NSRF is still underway and no details are yet available on its content. Overall, however, the strategic approach of the NSRF will be based on the Lisbon and Gothenburg agendas, the EU Employment Strategy, and Sweden's domestic policies (focused on sustainable development and innovation). Thus, it could be expected that the objectives of innovation, employment and sustainable economic growth will be reflected in the NSRF. Early discussions also point to the recognition of the fact that national rural policy shares common areas of interest with regional development policy and that the NSRF should indicate a clear division of intervention between rural policy and NSRF policy.

Lastly, in the **United Kingdom**, the NSRF restates the Government's central economic objective "to raise the rate of sustainable growth and achieve rising prosperity and a better quality of life, with economic and employment opportunities for all". This includes improving the economic performance of every part of the UK, as "unfulfilled economic potential in every nation, region and locality must be realised to increase the UK's long-term growth rate". Within the NSRF, high-level priorities are established for Structural Funds spending in England, Scotland, Wales, Northern Ireland and Gibraltar, and then strategies are set out for Convergence and Competitiveness objectives (see Table 9 below). These set a 'backdrop' for the OPs. No strategy is set out for the Cooperation Objective.

Table 9: UK NSRF strategic priorities by Objective, Fund and Region

Programme	Strategy as outlined in NSRF
<i>Convergence Programmes</i>	
Cornwall and the Isles of Scilly - ERDF	Promoting innovation and knowledge transfer, stimulating enterprise and business development, improving accessibility and connectivity
West Wales and the Valleys - ERDF	Promoting a high value-added economy by improving knowledge and innovation for growth, creating a favourable business environment and building sustainable communities
Highlands and Islands Phasing out - ERDF	Promoting economic sustainability, reinforcing community sustainability and developing environmental sustainability
Cornwall/Scilly Isles - ESF	Tackling barriers to employment and improving the skills of the local workforce, particularly relating to the knowledge economy
West Wales - ESF	Increasing employment, tackling economic inactivity, improving skills levels and building administrative capacity
Highlands and Islands (Phasing out - ESF)	Progressing people into sustained employment, progressing people to better-quality and better-paid jobs, and investing in employability and lifelong learning support environment
<i>Competitiveness Programmes</i>	
England - ERDF (9 regional OPs)	Promoting innovation and knowledge transfer, stimulating enterprise, ensuring sustainable development, production and consumption and building sustainable communities.
Scotland - ERDF (Lowlands and Uplands Scotland)	Supporting innovation and entrepreneurship, developing infrastructure and environmental sustainability, promoting community regeneration and rural development
Wales - ERDF	Building the knowledge-based economy, enhancing the environment and promoting accessibility
Northern Ireland - ERDF	Improving accessibility and enhancing the environment, increasing investment in R&D, promoting innovation and promoting enterprise
Gibraltar - ERDF	Diversifying the economy, encouraging enterprise, supporting sustainable urban development and promoting a knowledge society
England - ESF	Extending employment opportunities and developing a skilled and adaptable workforce
Scotland - ESF (Lowlands and Uplands Scotland)	Helping people into sustainable employment, progressing people to better-quality and better-paid jobs, and investing in the employability and lifelong learning support environment
Wales - ESF	Increasing employment and tackling economic inactivity, and improving skills levels
Northern Ireland - ESF	Reducing the level of economic inactivity, removing barriers to work and equipping people with the necessary skills to enter the workforce
Gibraltar - ESF	Helping people into sustainable employment, progressing people to better-quality and better-paid jobs and developing a skilled and adaptable workforce

5.3 NSRF 'mixed' strategies - Member States with Convergence and Regional Competitiveness funding

As already noted in the last IQ-Net thematic paper, **Germany** has been sceptical about the NSRF in principle, largely because the constitution gives the *Länder* primary responsibility for regional policy, so that there is no legal basis for a federal regional development strategy. Moreover, given the radical economic differences between *Länder* and sub-regions, German authorities argue that such a strategy could only identify very general goals. However, a provisional NSRF draft exists and this is deliberately being kept very open in order to accommodate the different *Land* strategies.

The NSRF presents two separate strategies - overarching goals, general sub-goals and Fund-related sub-goals - for the Convergence and Competitiveness regions. For Objective 1, the overarching goal is to achieve convergence and to raise welfare through sustainable development, especially economic growth and the improvement of employment prospects. There are also three sub-goals that cover both the ERDF and ESF, namely: (i) to develop an economy based on innovation and knowledge; (ii) to develop competitive and attractive regions through investment in enterprises and infrastructure; and (iii) education, training and strengthening of the adaptability of workers and the working age population. Additionally, there are also some Fund-specific priorities. For ERDF, the priorities are: (i) education, R&D, innovation; (ii) raising the competitiveness of business especially by supporting future-oriented investment and the promotion of entrepreneurship; (iii) developing and improving infrastructure for sustainable growth; and (iv) possibly, environment. The ESF priorities are: (i) enhancing the adaptability and competitiveness of workers and businesses; (ii) improving human capital; (iii) improving access to employment and the social inclusion of disadvantaged people; and (iv) trans-national cooperation.

For Objective 2, the NSRF notes the strong differences between Objective 2 regions and hence the impossibility of providing a comprehensive strategy for all regions. However, it specifies an overarching goal to improve regional competitiveness and employment. With respect to Fund-specific goals, the ERDF objectives are: (i) support for start-ups and business competitiveness; (ii) innovation and a knowledge-based economy; (iii) improvement of specific development potential including the reduction of intra-regional disparities; and (iv) possibly, the environment. For each ERDF programme, these goals will form the basis for the priorities, but it will be up to each *Land* to take its own decisions on specific priorities and measures, based on the EU list of possible interventions, noting that *Länder* with only limited Structural Funds' resources can focus on only two of the three priorities identified. For the ERDF programmes, each *Land* will decide to what extent funding should be geographically concentrated. The ESF goals are identical with those for Objective 1. Finally, for Objective 2, there are also Fund-specific horizontal goals: improving the environmental situation (ERDF); and equality between men and women (ERDF, ESF).

In **Greece**, an official NSRF draft is not yet available. Interview research suggests that the Framework will have the overarching goal of raising the national growth rate. The document will probably have seven priorities: (i) regional development; (ii) strengthening entrepreneurship and attractiveness to inward investment (Lisbon); (iii) reinforcing

accessibility and strengthening Services of General Economic Interest (TENs, roads, railway, ports, energy networks); (iv) digital convergence and administrative reform of the public service; (v) sustainable development (environmental friendly transport; sustainable waste management; sustainable management of natural resources; promotion of the natural, built as well as urban environment; spatial planning); (vi) development of human resources (education, research and training, labour market, welfare & mental health, promotion of equal opportunities and social inclusion); and (vii) cross-border, transnational and interregional co-operation.

The main strategic shift will affect the regional development priority. The government proposes to have five regional OPs (as opposed to the current 13), based on the five main urban centres: central, western, eastern Macedonia and Thrace; Thessaly-Epeirus, Sterea Ellada; Western Greece, Peloponnesus, Ionia; Crete, South Aegean, North Aegean; and Attica. The intention is to create a 'critical mass' to sustain regional development policies by developing economies of scale. At the same time, the reduction in the number of regional OPs (which is not uncontested by the current 13 regions) is considered conducive to effective management, monitoring and implementation.

The **Italian** NSRF draft has the overall objective of tackling the economic and social difficulties which have caused the persisting Italian stagnation. This will be achieved through the supply and promotion of collective services, guaranteeing general conditions of competitiveness, ensuring a high level of competencies, improving entrepreneurial innovation (linked to a non-competitive capital market and to a weak research system) and the efficiency of the capital market. The draft anticipates ten priorities: (i) improvement and full exploitation of human resources; (ii) promotion, full exploitation and diffusion of research and innovation for competitiveness; (iii) environmental protection, health and a sustainable and efficient use of environmental resources for development; (iv) full exploitation of natural and cultural resources for attractiveness and development; (v) social inclusion and services for quality of life and territorial attractiveness; (vi) networks and links for mobility; (vii) competitiveness of the productive systems and employment; (viii) competitiveness and attractiveness of cities and urban systems; (ix) international openness and attraction of investments, consumption and resources; and (x) governance, institutional capacities, and competitive and effective markets.

The **Portuguese** Structural Funds 2007-13 strategy will be oriented towards sustained growth, social and territorial cohesion, territorial and urban development and the development of human capital. The NSRF will probably have five priorities: (i) qualification; (ii) sustained growth; (iii) social cohesion; (iv) urban and territorial development; and (v) governance efficiency. Key principles of the new strategy will be operational concentration and selectivity in investment choices, the economic viability of operations, and the pursuit of territorial cohesion. From the emerging architecture of the NSRF, the regional programmes will support cohesion (even though the regional programmes will have a priority for regional competitiveness, with incentive schemes for firms), whereas the national programmes will be targeted on the Lisbon-agenda goals.

Lastly, in **Spain** the emerging strategy (as in Portugal, there is not yet an official NSRF draft) seems to indicate a close alignment to the Lisbon goals, in line with the CSG and,

according to the government, relatively similar to current strategies. The NSRF may have nine priorities (six ERDF and three ESF), but these are still being discussed: (i) research, technological development and innovation; (ii) Information Society; (iii) sustainable transport; (iv) renewable energy; (v) environment and sustainable development; (vi) sustainable urban development; (vii) attract and retain more people in employment; (viii) improve the adaptability of workers and enterprises; and (ix) enhance human capital through better education.

Lastly, the **Cypriot** NSRF draft entails a strategy that is focussed on the improvement of accessibility, the environment, the economy's competitiveness and of the employment situation; on the strengthening of urban centres, and on the lessening of regional disparities. The document's main objective is to achieve convergence with the more developed countries of the EU through high rates of sustainable economic growth, full and high-quality employment, in a framework of social cohesion. This would be achieved by improving the competitiveness of the country's economy, whilst at the same time raising the quality of life in the island. The document anticipates five priorities: (i) improving accessibility; (ii) sustainable development; (iii) strengthening competitiveness; (iv) attracting and keeping more people in the job market; (v) promoting balanced geographical development.

5.4 NSRF Convergence strategies

As can be expected, the strategies of the NSRFs of the new Member States, Bulgaria and Romania are more comprehensive. There is a marked difference in emphasis compared to the EU15 countries: convergence with the rest of the EU is generally an overarching (albeit not always explicit) goal. Moreover, the basis for the NSRFs is often represented by the National Development Plans (which were mainly approved before the NSRFs).

In the **Czech Republic**, the April draft of the NSRF sets out the following strategic objectives: (i) a competitive Czech economy (competitive business sector, support of R&D capacities for innovation, developing a sustainable travel and tourism industry); (ii) development of modern and competitive society (education, raising employment rate and employability, strengthening social cohesion, developing the information society, upgrading the public administration); (iii) attractive environment (environmental protection and upgrading, transport; and (iv) balanced territorial development. The NSRF acknowledges that, although there will be more resources for R&D and innovation than at present, there is still a need to 'fund the basics' in the Czech Republic and to continue with the infrastructure investments of the current period.

The key aim of the **Estonian** NSRF is long-term growth of the Estonian economy, to be achieved by focusing on five main strategic priorities: (i) educated and active people; (ii) growth of R&D capacity, innovation and business productivity; (iii) better connections; (iv) lower environmental burdens; and (v) integral and balanced development of the regions.

In **Hungary**, the core strategic elements of the current NSRF draft are: the establishment of a knowledge-based economy and society; strengthening the role of research and development and innovation within the economy; creating a modern infrastructure for

research and development; creating and enhancing development poles; increasing the economic, intellectual and cultural attraction of the country through creativeness as well as creative participation within the international arena. The current draft of the NSRF has six priorities:

- Economic competitiveness - interventions aimed at the establishment of an innovative and knowledge-based economy, improved SME productivity, development of the business climate, development of the ICT sector (information and communication technologies), ensuring appropriate human resources for a competitive economy
- Accessibility - improvement of the (international) accessibility of the country and its regional centres; improvement of regional accessibility (i.e. within the regions); development of community transport within urban centres and their agglomerations; development of the transport infrastructure of freight and logistics.
- Human resource development - increasing labour market participation, improving labour adaptability; education and training; stronger social cohesion (social inclusion); improvement of health; social infrastructure.
- Environment - management of settlements and urban areas, water management, environmental awareness measures, renewable energy.
- Territorial cohesion - specific regional support and support for 'integrated' regions (within Hungary) e.g. around Lake Balaton, the Tisza (river) region; the Danube region and spa areas.
- Modern governance - modernising the administrative system (e-government, human resources, organisational performance and quality of service, regional involvement) and Information Society; coordination and communication.

Several horizontal themes are also identified, including sustainability and equal opportunities.

The Latvian NSRF draft has the overall objective of EU convergence, to be achieved through a sustained annual growth rate of 6-8 per cent for the 2007-2013 period. As with other EU10 countries, the intention is to use Cohesion policy funds to implement the NDP, which has the development of "educated, creative and motivated individuals" as a central theme. Structural and Cohesion Fund support will be focused on supporting educational measures, technological excellence and flexibility, the development of science and research and the development of a knowledge-based economy. In order to address these goals, investments are planned under three themes: (i) development and efficient utilisation of human resources; (ii) strengthening competitiveness and progress toward the knowledge economy; and (iii) improvements in public services and infrastructures as a precondition for balanced national and territorial development. In addition, horizontal priorities are identified, such as balanced territorial development, fostering

macroeconomic stability, equal opportunities, sustainable development and the promotion of the information society.

For **Lithuania**, the main goals of the NSRF draft are: to achieve a rapid growth of the economy for a long period; to create more and better workplaces; and to achieve social cohesion. Three priorities of the Strategy will help to reach these goals: (i) Information Society; (ii) competitive economy; and (iii) quality of life and cohesion.

The **Maltese** NSRF is oriented towards addressing five main needs: to improve Malta's international competitiveness in its key economic sectors; to address existing deficiencies in Malta's physical infrastructure, particularly those related to the environment, energy, transport and ICT; to ensure quality education and training for all to meet future labour market requirements; to raise the employment rate; and to address Gozo's regional distinctiveness, bolster economic activity and address the negative impact of the island's double insularity on its socio-economic development. These are translated into four strategic objectives: (i) sustaining a growing and knowledge-based, service-oriented economy (investments in RTDI, access to finance for SMEs, business infrastructure, enhancement of tourism offer, e-society and e-government, transport infrastructure and others); (ii) improving the quality of life of citizens (environmental protection, urban regeneration, compliance with the *acquis*); (iii) investing in human capital (education and training, adaptability, life-long learning, inclusiveness of the labour market and education infrastructure); and (iv) addressing Gozo's regional distinctiveness (enterprise promotion, tourism and service sectors accessibility, human capital and skills).

The NSRF for **Poland** aims to achieve a balance between the Lisbon goals and the support of the lagging regions in the eastern part of the country. The NSRF draft identifies six main objectives (i) creation of conditions for maintaining the high pace of sustainable economic growth; (ii) employment growth through the development of human and social capital; (iii) improvement of the competitiveness of Polish enterprises, including in particular the service sector; (iv) development and modernisation of technical infrastructure of fundamental importance for the growth and competitiveness of Poland and its regions; (v) increase of the competitiveness of Polish regions and preventing their social, economic and territorial marginalisation; and (vi) rural development. Apart from the 16 ROPS, a dedicated programme of resources is being provided for the development of the eastern regions. Although the financial package has yet to be finalised, recent forecasts suggest that the OP will receive EU funding of around €2 billion. This is a ring-fenced amount but more will be provided by the activities of sectoral OPs that will only be carried out in eastern regions. The programme will also draw on funds dedicated to the now liquidated OP 'Territorial Cohesion and Regional Competitiveness'. Other sources include the national budget (e.g. the National Road Fund), regional government resources and JASPERS (the joint Commission/European Investment Bank initiative). It will have three main priorities: (i) innovation and enterprise development (including business infrastructure, internet access, financing cooperation between regional universities and business, regional airports etc.); (ii) supporting the development of potential metropolises (e.g. Białystok, Lublin and Rzeszów) by building conference centres, renewing transport networks etc.; and (iii) development of inter-regional road networks.

The **Slovak** NSRF draft focuses on the overall objective to increase the competitiveness and performance of the Slovak economy and its regions by the year 2013, while respecting the goal of sustainable development. The document highlights the ‘double challenge’ that faces the country. First, there are still gaps in terms of basic infrastructure - transport, environmental, local - which need to be addressed as a basic condition for building the knowledge economy. The second challenge is ensuring economic convergence with the EU15 and, related, building a competitive and dynamic economy. According to the document, the economy should be built upon “responsibility, initiative, innovation and creativity of citizens”, maintaining a good quality of life and environment and developing a knowledge economy, linked to the revised Lisbon and Gothenburg agenda. Following on from this, the NSRF foresees three main priorities: (i) infrastructure and regional accessibility; (ii) innovation, information society and knowledge economy; and (iii) human resources and education. Additionally, the strategy aims to combine two policy approaches: a structural approach, which focuses on the types of activity to be supported; and a regional approach, focusing on where intervention should take place in regional centres of national economic growth and centres in lagging regions).

The first NSRF draft in **Slovenia** was only delivered at the end of May, and only indicative information was available for this paper. The document was expected to include interventions in the fields of human resources, economic development, infrastructure, competitiveness and environment. In the field of human capital, the focus would be on reform of the education system so as to match it more with market needs, training and soft interventions for firms, training for the older population, a large percentage of which is unemployed (linked to the long-term reform of the pensions system). The interventions for economic development would be mainly oriented towards a linear model of innovation (e.g. creation of links with research providers and firms, concentration of resources to build a critical mass e.g. in a number of technological clusters), the support of eco-tourism, the support of economic development in the less developed east of the country. Infrastructure-related investments would be undertaken in the fields of TENS, ports, roads and motorways, logistical centres and airport terminals. Environmental interventions would include investments in water and solid waste collection and treatment, risk prevention etc; and lastly, interventions to boost the country’s competitiveness would include the conversion of traditional industries (e.g. in the Maribor area), develop and foster the competitiveness of the service and finance sectors, and public administration reform, linked to pension and tax reforms.

Lastly, the two Acceding Countries also present comprehensive strategies. The **Bulgarian** NSRF has the overall objective of becoming, by 2013, a country with a higher standard of living, based on a sustainable socioeconomic growth during the process of full integration into the EU. Two medium-term goals are also presented: (i) to attain and maintain high economic growth through a dynamic knowledge-based economy in accordance with the principles of sustainable development; and (ii) to improve the quality of human capital and to achieve employment, income and social integration levels which provide higher living standards. The NSRF includes six priorities: (i) development of competitive enterprises and improving the business environment; (ii) human resource development; (iii) transport; (iv) environment; and (v) achievement of sustainable and balanced regional development.

The **Romanian** NSRF aims to create a competitive, dynamic and prosperous Romania, by reducing social and economic development disparities between Romania and the rest of the EU and reducing the disparities with the EU by generating an additional 10 percent increase in Romania's GDP by 2015. The Framework includes five priorities: (i) to develop basic infrastructure to European standards; (ii) to increase long-term economic competitiveness; (iii) to develop and make more efficient use of human capital; (iv) to build an effective administrative capacity; and (v) to promote balanced territorial development.

5.5 NSRF priorities at a glance

Table 10 below provides a comparative overview of the number and title of the priorities of each NSRF. The number of priorities varies from a minimum of two (**Denmark**) to a maximum of 10 (**Italy**). A high degree of variation emerges amongst the EU25 countries which has no obvious rationale or explanation (e.g. **Lithuania** has only three priorities, while **Cyprus** has seven). In some cases, the NSRFs do not specify a common set of priorities for all Objectives and/or funds, but unpack these by Fund or Objective or both (e.g. **France**).

For the Regional Competitiveness and Employment countries and for the competitiveness related strategies of 'mixed' countries, it goes without saying that the emphasis is placed particularly on the Lisbon goals of: innovation, territorial competitiveness, the knowledge economy and employment, with priorities on innovation and R&D, entrepreneurship, environmental interventions, and the qualification of human resources.

The main difference between the above and the Convergence NSRFs (or the convergence strategy of 'mixed' countries) lies in the inclusion in the latter of priorities for the development of accessibility/transport infrastructures. **Greece, Hungary, Italy** and a number of **EU12** countries also emphasise services of general economic interest, market reforms, and the modernisation of the public administration and of the service sector.

Balanced regional development appears as a separate priority in only a few countries, namely **Bulgaria, Cyprus, Estonia, Greece, France** (for Objective 3) and **Romania**. It also appears in **Latvia**, but as a horizontal NSRF priority.

Urban development or the development of metropolitan areas and the networking of urban centres also feature in a few countries including **Austria, France, Greece, Ireland, Italy, Portugal** and **Spain** from the EU15, but also **Poland**. Rural development is listed as a priority in **Cyprus, Slovakia** and **Scotland (UK)**.

Table 10: NSRF priorities at a glance

Country	No.	Title
Austria	4	<ol style="list-style-type: none"> 1. Innovation and knowledge based economy 2. Attractive regions and competitive business locations 3. Qualification and adaptability of employed and self-employed 4. Territorial Cooperation
Belgium	NA	NA
Bulgaria	6	<ol style="list-style-type: none"> 1. Development of competitive enterprises and improving the business environment 2. Human Resources development 3. Transport 4. Environment 5. Achievement of sustainable and balanced regional development 6. Building and effective and modern state administration
Cyprus	7	<ol style="list-style-type: none"> 1. Improving accessibility: extending and improving basic transport infrastructures 2. Sustainable development - environmental protection 3. Strengthening competitiveness 4. Attracting and keeping more people in the job market 5. Promoting balanced geographical development
Czech Republic	5	<ol style="list-style-type: none"> 1. Sustainable development 2. Competitive Czech economy 3. Attractive environment 4. Open, flexible and cohesive society 5. Balanced development of regions
Denmark	2	<ol style="list-style-type: none"> 1. Innovation & knowledge 2. More and better jobs
Estonia	5	<ol style="list-style-type: none"> 1. Educated and active people 2. Growth of the capacity for R&D and of the innovating spirit and productivity of enterprise 3. Better connections 4. Smaller environmental burden 5. Integral and balanced development of region
Finland	3	<ol style="list-style-type: none"> 1. Business and innovation (ERDF) 2. Knowledge, workforce, employment and entrepreneurship (ESF) 3. Competitive business environments (ERDF)
		<p>Convergence:</p> <ol style="list-style-type: none"> 1. Promotion of territorial competitiveness and attractiveness (ERDF) 2. Environmental preservation for sustainable development (ERDF) 3. Promotion of social and territorial cohesion (ERDF) 4. Compensation of specific constraints for overseas regions (ERDF) 5. Adaptation of workers and firms (ESF) 6. Prevention of unemployment (ESF) 7. Support of inclusion and fight against discrimination (ESF) 8. Promotion of partnership and networking to support employment and social inclusion (ESF) 9. Investment in human capital (ESF) 10. Institutional and administrative capacity building (ESF) 11. Development of innovative transnational or interregional actions for empl. and social inclusion (ESF) <p>Regional Competitiveness and Employment:</p> <ol style="list-style-type: none"> 1. Support to innovation and the knowledge economy (ERDF) 2. Development of ITC to support the economy and the information society (ERDF) 3. support to firms following a territorial development approach (ERDF) 4. environmental protection and risk prevention in a perspective of sustainable development (ERDF) 5. development of alternative transport modes for individuals and economic activities (ERDF) 6. Adaptation of workers and firms to economic change (ESF) 7. Improved access to employment for job seekers (ESF) 8. Promotion of social inclusion and fight against discriminations (ESF) 9. Investment in human capital (ESF) 10. Development of partnerships and networking for employment and inclusion (ESF) 11. Support to innovative transnational or interregional actions for employment and social inclusion (ESF) <p>Territorial Cooperation:</p> <ol style="list-style-type: none"> 1. Cross-border cooperation: Optimisation of conditions for a balanced economic, social and environmental development 2. Transnational cooperation: <ul style="list-style-type: none"> - Competitiveness and innovation - Environment and risk management/ prevention - Accessibility and transports - Enhancement of territorial networking - Coordination with the ENP 3. Interregional cooperation: <ul style="list-style-type: none"> - Capitalisation of results, exchange of experiences, enlargement of existing networks, enhancement of diffusion and appropriation of good practices
	11	
	11	
France	3	

Table 10: NSRF priorities at a glance (continued)

		<p>Convergence</p> <ol style="list-style-type: none"> 1. Education, R&D, innovation (ERDF) 2. Raising the competitiveness of business especially by supporting future-oriented investment and the promotion of entrepreneurship (ERDF) 3. Developing and improving infrastructure for sustainable growth (ERDF) 4. Environment (being discussed, ERDF) 5. Enhancing the adaptability and competitiveness of workers and businesses (ESF) 6. Improving human capital (ESF) 7. Improving access to employment and the social inclusion of disadvantaged people (ESF) 8. Trans-national cooperation (ESF?) <p>Competitiveness</p> <ol style="list-style-type: none"> 1. Support for start-ups and for business competitiveness (ERDF) 2. Innovation and a knowledge-based economy (ERDF) 3. Improvement of specific development potential including the reduction of intra-regional disparities (ERDF) 4. Environment (being discussed, ERDF) 5. Enhancing the adaptability and competitiveness of workers and businesses (ESF) 6. Improving access to employment as well as the social inclusion of disadvantaged people (ESF) 7. Improving human capital (ESF) 8. Trans-national cooperation (ESF).
Germany	8+ 8	For Competitiveness programmes each Land will take its own decisions on the Priorities.
Greece	7	<ol style="list-style-type: none"> 1. Regional Development. It will include 5 Regional OPs, based on the five major urban centres 2. Strengthening Entrepreneurship and attractiveness to inward investment 3. Reinforcing Accessibility and Strengthening Services of General Economic Interest 4. Digital Convergence and Administrative Reform of the Public Service 5. Sustainable Development 6. Development of Human Resources 7. Promotion of cross-border, transnational and interregional co-operation
Hungary	6	<ol style="list-style-type: none"> 1. Economic competitiveness 2. Accessibility 3. Human resource development 4. Environment 5. Territorial cohesion 6. Modern governance
Ireland	5	<ol style="list-style-type: none"> 1. People education and training 2. Accessibility 3. Innovation and entrepreneurship 4. Environmental quality 5. Supporting the national spatial strategy
Italy	10	<ol style="list-style-type: none"> 1. Improvement and full exploitation of human resources 2. Promotion, full exploitation and diffusion of research and innovation for competitiveness 3. Protection of the environment, of health and of a sustainable and efficient use of the environmental resources for development 4. Full exploitation of natural and cultural resources for attractiveness and development 5. Social inclusion and services for quality of life and territorial attractiveness 6. Networks and links for mobility 7. Competitiveness of the productive systems and employment 8. Competitiveness and attractiveness of cities and urban systems 9. International openness and attraction of investments, consumption and resources 10. Governance, institutional capacities, and competitive and effective markets
Latvia	3	<ol style="list-style-type: none"> 1. Development and efficient utilisation of human resources 2. Strengthening competitiveness and progress toward the knowledge economy 3. Improvements in public services and infrastructures as precondition for balanced national & territorial dev. <p>Plus horizontal priorities: balanced territorial development, fostering macroeconomic stability, equal opportunities, sustainable development and promotion of the information society</p>
Lithua'a	3	<ol style="list-style-type: none"> 1. Information society 2. Competitive economy 3. Quality of life and cohesion
Luxemb.	4?	<ol style="list-style-type: none"> 1. Attractiveness for investment and employment 2. Knowledge and innovation 3. Growth factors 4. Employment growth and quality
Malta	4	<ol style="list-style-type: none"> 1. sustaining a growing and knowledge-based, service-oriented economy 2. improving the quality of life of citizens 3. investing in human capital 4. addressing in Gozo's regional distinctiveness
Netherl.	NA	NA
Poland	3	<ol style="list-style-type: none"> 1. Innovation and enterprise development (including business infrastructure, internet access, financing cooperation between regional universities and business, regional airports etc.) 2. Supporting the development of potential metropolises (e.g. Białystok, Lublin and Rzeszów) by building conference centres, renewing transport networks etc. 3. Development of inter-regional road networks

Table 10: NSRF priorities at a glance (continued)

Portugal	5	<ol style="list-style-type: none"> 1. Qualification 2. Sustained growth 3. Social Cohesion 4. Urban and territorial development 5. Governance efficiency
Romania	5	<ol style="list-style-type: none"> 1. Develop basic infrastructure to European standards 2. Increasing long-term economic competitiveness 3. Development and more efficient use of Human Capital 4. Building an effective administrative capacity 5. Promoting Balanced Territorial Development
Slovakia	4	<ol style="list-style-type: none"> 1. Infrastructure and regional accessibility 2. innovation, info. Soc. And knowledge economy 3. HR and education 4. Rural Development <p>Plus horizontal priority: social inclusion of marginalised Roma communities</p>
Slovenia	5?	<ol style="list-style-type: none"> 1. Development of human resources 2. Economic development 3. Infrastructure 4. Competitiveness 5. Environment
Spain ³⁷	9	<ol style="list-style-type: none"> 1. Research, technological development and innovation 2. Information Society 3. Attract and retain more people into employment 4. Improve the adaptability of workers and enterprises 5. Enhance human capital through better education 6. Sustainable transport 7. Renewable energy, energetic efficiency and TEN Energy 8. Environment and sustainable development 9. Sustainable urban development
Sweden	Na	Na
United Kingdom	(5)	<p>The broad policy priorities set out in the UK's NSRF are:</p> <ol style="list-style-type: none"> 1. maintaining fiscal sustainability in the face of demographic challenges; 2. building an enterprising and flexible business sector; 3. promoting innovation and R&D; widening opportunities for the acquisition of skills; 4. increasing innovation and adaptability in the use of resources; and 5. ensuring fairness through a modern and flexible welfare state. <p>However, different policy priorities are set out by the nations, e.g. in <i>Scotland</i> three priorities are being discussed:</p> <ol style="list-style-type: none"> 1. innovation and enterprise development 2. community regeneration 3. environmental and rural sustainability

³⁷ DG Regio (2006) *Marco Estratégico Nacional de Referencia: Objetivos estratégicos y ámbitos fundamentales en relación con España en el período de programación 2007-2013*, Borrador de Trabajo elaborado por DG REGIO en colaboración con DG EMPL, 10 March 2006.

6. REGIONAL OPERATIONAL PROGRAMMES

6.1 Number and scope of operational programmes

There is a high degree of variation across the EU27 with respect to the number and scope of regional, national and multiregional programmes, as is illustrated in Table 11 below.

Table 11: Provisional number of national and regional OPs in 2007-13*

Objective	Convergence						Competitiveness and Employment				
	NOP			ROP			NOP		ROP		
level	ERDF	ESF	IROP	ERDF	ESF	multi-reg.	ERDF	ESF	ERDF	ESF	multi-reg.
Austria				1	1			1	9		
Bulgaria	5	1									
Belgium -Flanders -Wallonia	1	1							1 1	1 2	
Cyprus							1	1			
Czech Rep	6	2	1	7?					1	1	
Denmark									1	1	
Estonia	3	1									
Finland								1	5		
France				4	4		1 TA	1	22		5?
Germany	1	1?		5	5			1?	11	11?	
Greece	5?	1?		5?							
Hungary	4?	1?	1?			3?			1?		
Ireland							?	1	2		
Italy	5?			5	5				16	16	
Latvia	2	1									
Lithuania	2	1									
Luxemburg							1	1			
Malta	1	1						1	4		
Netherl.								1			
Poland	3	1		16		1					
Portugal				6			2	1	3		
Romania	5	2	1								
Slovakia	2	1		7					1		
Slovenia	1	1									
Spain	?	?		8	8				11	11	
Sweden								1?	7?		
UK:											
-England				1				1	9		
-Scotland				1	1				1	1	
-Wales				1				1	1		
-N.Ireland								1	1		

*Notes: There are significant shares of Cohesion Fund resources in many Convergence NOPs; Convergence includes OPs for phasing-out regions, Competitiveness and Employment includes phasing-in OPs; this table does not contain information on territorial cooperation programmes.

In comparison with the current programming period:

- the number of programmes is likely to remain unchanged in various countries/regions, including **Cyprus, Denmark, Germany, Ireland, Malta, Wales (UK) and Wallonia (Belgium)**;
- in most new Member States - which have currently one single programme or a limited number of Objective 1 programmes - the 2007-13 period and the associated higher level of resources will see a rise in the number of sectoral national OPs, for example in the **Baltic states, Hungary and Slovenia**;
- in some new Member States, the regionalisation of programme implementation responsibilities entails the creation of a higher number of regional OPs (e.g. in **Czech Republic, Poland and Slovakia**). In other cases, e.g. in Hungary, the situation is likely to remain unchanged;
- in countries/regions where funding is decreasing, a rationalisation in the programme structure is associated with a reduction of the number of regional OPs (e.g. in **Scotland, Flanders** and, potentially, in **Greece**), or of national, sectoral OPs (e.g. **Italy, Portugal and Spain**);
- implications for the number of regional OPs arise from the mono-fund approach specified in the regulations which results in some cases in a doubling of the programme numbers at regional level (e.g. in **Italy Obj. 1 and Spain**). In some countries, this is avoided by introducing national ESF OPs (e.g. **Austria, Finland, France, the Netherlands** and in **Flanders (Belgium)**). This issue is still unresolved in **Germany and Sweden**;
- some countries are introducing specific OPs involving several regions, e.g. the Eastern regions in **Poland** and the Lake Balaton, Tisza river and Danube river in **Hungary**.

6.2 Trends in the content of the regional operational programmes

Final decisions on the content of Regional Operational Programmes are at very different stages. This is, in part, linked to the overall, national approach to strategy development and, in particular, whether OPs are developed before, in parallel with or after the NSRF. For instance, in **France, Italy and Sweden** regional programme drafts are still being prepared. During the programme development process a number of key questions and challenges arise when taking decisions on programme content and strategy, namely:

- To what extent should the programme change? What elements of continuity and change should the new programme entail?
- How can the programme provide 'added value', in many cases with fewer resources?
- How can the programme best address Lisbon-oriented goals as well as specific regional development concerns?

- How can the programme balance long-term development goals and short/medium term objectives?
- How can the programme outline a clear strategy and yet achieve the necessary future flexibility?

These questions are still being debated in many regions and, ultimately, responses will vary. However, it is still possible to identify some key trends and outline the overall approaches taken by a number of regional OPs (see Table 12 below).

Table 12: Indication of broad content trends

Key Changes	Regional Programmes
<p>Increasing Lisbon orientation</p> <p>‘Narrower’ Lisbon focus, e.g. R&D</p> <p>‘Broad/Mixed’ Lisbon focus, e.g. mix of R&D and infrastructure investments to be funded</p>	<p>Nordrhein-Westfalen, North East England, Styria, Toscana, Western Finland</p> <p>Central Macedonia, Hungary, Niederösterreich, Sachsen-Anhalt, Śląskie</p>
<p>More ‘strategic & focussed’ approach</p>	<p>Hungary, Śląskie North East England, East Wales</p>
<p>Urban focus/growth pole elements</p>	<p>Central Macedonia, Hungary, Niederösterreich, Nordrhein-Westfalen, Styria, Toscana, Western Finland</p>
<p>Adapting approaches to spatial targeting</p>	<p>Flanders, Hungary, Nordrhein-Westfalen, Śląskie, Toscana, Western Finland</p>

A number of OPs are taking a relatively narrow and focussed approach, this reflects the aim to develop a more refined strategic approach, the proposed content of key strategic documents and the practicalities of having fewer resources. This more focused approach is reflected in the strategic objectives of the programmes and the number of priorities. It also means that some previously supported interventions are not expected to be included in the new programmes. For instance, in Norra Norrland and Western Finland, the reduction of funding implies that there will be no funding available for infrastructure projects. In Styria, traditional tourism projects, cultural development and infrastructure measures will no longer be co-financed by the ERDF. Similarly, culture, ecological management, city centres development and transport infrastructure (railways) will no longer receive ERDF funding in Niederösterreich.

In contrast, some programmes, e.g. the Hungarian ROP and OP for Śląskie, will receive additional resources or will at least retain a substantial amount of Cohesion policy resources. In these cases, many areas of intervention can be retained and the scope of the programmes can even be broadened, e.g. to include economic development measures in Hungary, or new region-specific interventions in Śląskie.

In many regions, strategies concentrate on interventions that target what could be termed the ‘narrow’ interpretation of the Lisbon themes, such as promoting R&D innovation,

business-university links, cluster development and networking, e.g. Nordrhein-Westfalen, North East England, Styria, Toscana, Western Finland. In addition to these types of interventions, a number of regions, e.g. Central Macedonia, Hungary, Niederösterreich, Sachsen-Anhalt, Śląskie, Scotland, and West Wales, are continuing to fund interventions that address a broader range of interventions, e.g. transport, business start-up and development and community development. Other key trends in the ROPs are the emerging focus on urban development and the development of growth poles and, in some cases changing approaches to targeting spatial and local development. The ROPs for Central Macedonia, Hungary, Niederösterreich, Nordrhein-Westfalen, Styria, Toscana and Western Finland all refer to either dedicated urban development support or the development of growth poles and clusters. For instance, the Central Macedonia Region sets out plans the development the City of Thessaloniki as a hub for R&D and innovation. Hungary's ROP plans to incorporate the 'growth pole' concept. The OP for Toscana is expected to incorporate a focus on 'urban systems' and 'excellence poles'.

Linked to changes in the available resources and strategic shifts, approaches to the spatial targeting of interventions are also changing in a number of programmes. For example, preparations for the Nordrhein-Westfalen OP have created controversy over the question of whether funds should be allocated only to those areas with specific structural socio-economic weaknesses or to all areas. The outcome of these debates is that funding will in principle be Land-wide, but some specific measures or instruments will be targeted on specific types of location.

6.3 Content of IQ-Net partners' regional OPs

The following sections describe the content and strategic approach of some ROPs in more detail, discussing first the Convergence partners OPs from Greece, Hungary, Germany and Poland, and then the Competitiveness OPs from Austria, Belgium, France, Germany, Italy and the UK.

6.3.1 'Convergence' Partners OPs

(i) Central Macedonia 'Convergence' OP

At this stage, it is difficult to establish exactly what the future OP for the Central Macedonia Region will cover, not least because it may encompass a much larger geographical area than at present. Regional authorities are currently in negotiations with the Ministry of Economy and Finance about the future structure of the ROPs.³⁸

The new ROP is focused on driving overall development and economic growth. Currently, the ROP for Central Macedonia is expected to receive €2.2bn in ERDF funding. There will be no ESF financed measures. The allocation of funds from the Cohesion Fund has not yet been established.

³⁸ The Greek government has not reached a final decision on the number of OPs to be implemented. The option of reducing the number of OPs to five, one for each of the five largest urban centres in Greece, is being considered, as a reduction in the number of OPs may increase the effectiveness of programme management, monitoring and implementation.

The Central Macedonia Region has enlarged on the Ministry of Economy and Finance's circular on the content of regional OPs and proposes the following priorities for the future ROP:

1. Support for the development the City of Thessaloniki. R&D clusters for Thessaloniki to become a central hub of technological excellence and innovation. Completion of transport infrastructure, review of the metropolitan authorities responsibilities, better organisation of tourist assets, enhancement of the urban environment and protection of local natural resources.
2. Enable the region to become a central hub for the whole of South Eastern Europe. Creation of co-operation networks with Thessaloniki being the main centre is part of this priority.
3. Increase of competitiveness and productivity within the region. Creation of economic clusters and economies of scale through development of innovative products and services as well as the promotion of tourism.
4. Increase of convergence within the region. Enable local development initiatives, increase accessibility in rural areas.
5. Protection of the environment through development. Protection and enhancement of the built as well as the natural environment and prevention of activities with high environmental risks.
6. Increase employment, enhancement of the human capital of the region and support minority groups. Education and training of human capital within the region to promote equal opportunities policies both in education as well as employment.

(ii) *Hungary Regional 'Convergence' OP*

The issue of whether to put forward a single, integrated OP or six separate regionally-based OPs for each of the country's Convergence regions has been the subject of considerable debate. Draft ROPs have been prepared by Regional Development Agencies, operating at the NUTS II level. The development of the Integrated Regional Operational Programme has been coordinated by the National Office for Territorial and Regional Development.

The overall aim for the next regional operational programme is that it should be more 'strategic' than the current programme, which has been criticised for simply being made up of interventions that did not fit in to the Sectoral Operational Programmes. The major strategic priority for 2007-2013 is endogenous development of the regions. In a change from the current programme, it is planned that economic development interventions will be included in the ROP.

The programme aims to reflect Commission goals, but is also based around practical considerations, such as the areas of responsibility of the municipalities that will be involved in actually developing and carrying out projects. A particular challenge in developing an integrated ROP will be to adequately reflect the regions' inputs. With this in mind a 'menu'

approach has been proposed, which would allow the regions to choose a mix of interventions that is appropriate for them. An additional task, and potentially even more challenging, is working with the sectoral ministries to define and agree the split between what will be supported by the ROP and the Sectoral Operational Programmes.

The types of intervention that may be supported include: economic development; university and SME cooperation; tourism; regional infrastructure; social infrastructure; urban development; recreation; environmental management; education and culture. Additional distinctive elements of the programme are the 'complex programmes' these have three regional foci: Lake Balaton, the Danube and the Tisza river areas. These are areas that require a cross-regional approach to development as they span a number of regions. It is also worth mentioning that the single ROP plans to incorporate the 'growth pole' concept, linked to the Hungary's National Development Concept.

(iii) *Sachsen-Anhalt ERDF 'Convergence' OP*

It is unlikely that the OP will be finalised before the end of September 2006, as there have been delays in its preparation. A key focus of activity at present is the organisation of a workshop with the socio-economic partners on the draft results of the ex ante evaluation.

No major changes are expected compared to the 2000-2006 programme, as the current strategy is seen as fundamentally correct. The *Land's* strategy emphasises the macro goals of growth and employment, as well as the goals of the Lisbon strategy. It also argues that, given the scale of economic challenges and fiscal constraints, EU funding in 2007-13 should be concentrated on measures that contribute to long-run convergence; that address regional strengths and weaknesses; and that allow resources to be used most efficiently. Sachsen-Anhalt expects to receive around €2.2 billion of Cohesion policy funds - and around € 500 million rural development funding (this compares with around € 3.5 billion in 2000-2006). Exact amounts are not yet available because no final decision on the allocation between programmes has been taken. It is expected that funding will be divided 70:30 between the ERDF and ESF.

Three broad priorities have been set out, on which the ERDF, ESF and rural development funding are expected to focus: a) Research, Development and Innovation; b) Education; c) Investment and Enterprise Financing.

By funding Research, Development and Innovation, the *Land* aims to strengthen business R&D capacities and to improve transfers between business and the research base. Funding will be allocated to a range of activities including improving business financing for R&D, cluster management, networks and steps to increase the efficiency of technology transfer. By funding Education, the *Land* aims a) to systematically strengthen and make use of abilities from the cradle to the university; and b) to train employees and support entrepreneurship. Funding will be allocated for actions exploiting the new eligible categories of spending in the EU Regulations e.g. infrastructure for pre-school and general education, training for staff, reducing school drop-out rates and expanding the percentage of the population participating in non-compulsory education. By funding Investment and Enterprise Financing, the *Land* aims to strengthen the export base and reduce its balance of

trade deficit. Funding will be allocated for actions such as co-financing major relevant domestic instruments (i.e. the domestic Regional and Agricultural Joint Tasks), depending on final decisions on State aid after 2006.

(iv) *Śląskie 'Convergence' ERDF OP*

A second draft of the Śląskie ROP has been prepared and public consultations have taken place through workshops and other events. So far, the Marshals Office has received 368 detailed inputs.

In the current programming period the region is covered by an Integrated Regional Operational Programme (IROP) that is managed at the central level. However, a separate regionally-based OP is planned for 2007-2013. Some key strategic changes are envisaged for this programme. In comparison to the IROP, the ROP will enable the Marshals Office, as managing authority, to become much more involved in activities relating to the Lisbon strategy. In the previous programming period, there was one SOP dedicated to the development of entrepreneurship and this limited the involvement of the region with entrepreneurs. Now a specific, dedicated regional business support priority is planned in the ROP. Similarly, the urban development priority in the IROP was centralised and the approach taken did not reflect the regional situation - Śląskie has a distinct pattern of agglomeration with several large cities. The ROP will have a dedicated measure aimed at the region's four major agglomerations. The measure will attempt to utilise these as drivers of the regional economy.

More broadly, there will be increased scope to develop flexible and tailored instruments in various policy fields. For instance, the IROP introduced an arbitrary distinction between regional and local health care projects based on administrative boundaries. This did not correspond fully to the needs of the region. The ROP will allow a more flexible regional approach where projects can be divided thematically at the regional level (e.g. support for large hospitals, first contact services, etc.).

Table 13: Planned Priorities and funding for Śląskie ROP 2007-2013

Priority	Integrated guidelines for growth and jobs	% allocation
Priority 1: Research and technological development, innovation and entrepreneurship	Guidelines 7,8,10,15	21%
Priority 2: Information society	Guideline 9	12%
Priority 3: Tourism	Guideline 10	4%
Priority 4: Culture		4%
Priority 5: Environment	Guideline 11	16%
Priority 6: Sustainable urban development	Guideline 11 and 15	10%
Priority 7: Transport		17%
Priority 8: Education		5%
Priority 9: Health and sport		4%
Technical assistance		3%
Programme reserve		3%

6.3.2 'Competitiveness' Partners OPs

(i) *Niederösterreich 'Competitiveness' OP*

Work on the 2007-2013 OP for Niederösterreich is well advanced. A first draft of the document has already been prepared and is being discussed with the ex ante evaluation team, with a view to finalising the document in the summer.

A key strategic challenge for the programme is to find a balance between traditional regional policy in the form of support for lagging regions and the Lisbon focus on increasing the competitiveness of the region as a whole. A 'twin-strategy' has been suggested. On the one hand, the strategy builds on past experience of Cohesion policy, by addressing inter-regional imbalances and structural change of the 'old economy'. On the other hand new innovative measures and projects shall receive support. Related, the contents of the main part of the current programme will be retained and new interventions such as risk prevention and flood protection, ICT, techno-poles, lifelong learning and maybe competence centres will be included. Also, regional accessibility will be addressed by upgrading logistics centres and transport telematics.

Particular emphasis will be placed on border regions and balanced regional development. The Managing Authority expects to receive around €130 million of ERDF funds, a reduction of roughly 30 per cent.

According to a first draft, the OP will be based on two strategic priorities.

1. Increasing regional competitiveness by support for innovation and a knowledge based economy
2. Strengthening the regions and locations by mobilising endogenous potentials, improved accessibility, energy efficiency, and risk prevention

The programme's main focus will be on the first priority. Its main goal is to support the transition to a knowledge based, innovation-oriented regional economy. Sub-goals refer to increasing R&D activity of businesses and of business-related institutions, increasing the innovation rate of enterprises with a particular focus on SMEs and raising the R&D spending of the public sector. Energy efficiency and resource productivity will be increased. Measures under the first priority comprise firstly, business related infrastructure (clusters, 'technopoles', R&D); secondly, technology and business development (start-ups, cooperation, innovative soft-measures, networking and consultancy); and thirdly, innovations in the tourism and leisure sector. The main goal of Priority Two is to increase regional attractiveness and the quality of the environment. Interventions are likely to focus on endogenous regional development (e.g. regional managements), risk prevention measures (especially conceptual measures and investments for flood protection), support for environmental protection and renewable energies, and improved infrastructure

(ii) *Steiermark 'Competitiveness' OP*

Preparation of the 2007-2013 Operational Programme is well advanced in Styria. Work began on the programme in autumn 2004 and will be finalised this summer. A first draft has been prepared and is being discussed with the ex ante evaluation teams.

The new programme will have a strong focus on the Lisbon goals, especially on innovation. This is not only due to new EU strategies but also to the fact that resources will be more limited compared to the current period, €137.3m ERDF funds. Support for R&D will be maintained and also competence centres will continue receiving support, partly co-financed with federal funds. The programme is, however, less focussed on creating new jobs and more on exploiting economic potential and increasing competitiveness. A 'spatial' strand to the programme is added by support for cluster development (automotive, wood, food), networks and business incubator centres. Also regional managements will continue receiving support. Moreover the URBAN community initiative for the south of Graz will be included. Here the focus will be on urban and urban-hinterland initiatives. Thus, a spatial dimension to the new programme is mainly added by specific sectoral support directed towards energy, wood, tourism and food.

The OP rests on three priorities (with the likely allocations):

1. Strengthening of innovation and the knowledge economy (Lisbon, 90 percent of the funds)
2. Increasing regional attractiveness (Gothenburg & lagging regions, 8 percent)
3. Governance and technical assistance (2 percent)

(iii) *Flanders 'Competitiveness' OP*

The drafting process of the OP for Flanders is being undertaken in parallel to the development of the NSRF. A final draft of the programme will be sent to the Provinces for partner consultation. An approval is expected in June except for the environmental chapter which requires the application of more complex procedures and will be ready at the end of August.

The OP adopts four Belgian NSRF priorities: innovation and the knowledge economy, entrepreneurship, economic environment, urban development. It also takes into account some aspects of rural development and environmental issues which are currently being integrated into the other priorities.

The main change concerning the OP is the removal of geographical targeting which means that, for the first time, the province of Vlaams Brabant around Brussels will be eligible for funding. At the regional level, it is felt that, by cutting out micro-zoning, the regional input to programme preparation is becoming less important and that competition between the regions could increase due to the introduction of call procedures. Ongoing project submissions will continue to be accepted in areas which involve long-term preparation and

implementation such as brownfield development. However, for other measures a two step call procedure will be introduced.

(iv) *Western Finland 'Competitiveness' OP*

The development of the OP for Western Finland covers five regions - Satakunta, Central Finland, Pirkanmaa, South Ostrobothnia and Ostrobothnia - and is on-going. Initial proposals are to be submitted to the Ministry of Interior by the end of August. The programme proposals will then be considered by a working group over a period of one to two months, before the Ministry of the Interior submits the final OP to the Commission alongside the final version of the NSRF. The upcoming phase of the process is viewed as very important. Only *after* the regional programmes have been submitted, will final choices be made concerning the NSRF.

An indication of the broad structure of the OP suggests that it will build on the current programme, with more stress on Lisbon-oriented measures, such as improving knowledge and innovation structures and focusing more on education. There will be less infrastructure-oriented support. According to the NSRF, the total EU funding which is likely to be available to the Western Finland programme is €253 million - €127 million ERDF, €63 million (regional) ESF and €63 million of national ESF.

With respect to the ERDF, the breakdown of the Western Finland programme is likely to reflect the key NSRF headings and be along the following lines:

- Business and innovation, ERDF
 - activating businesses
 - promoting R&D and innovations in SMEs
 - promoting business cooperation and networking
- Competitive business environments, ERDF
 - strengthening regional and national innovation and knowledge environments
 - improving accessibility of regions
 - improving natural and cultural environments

In addition to the two ERDF priorities, there is likely to be a focus on urban issues and, of course, technical assistance will also be supported. The focus is going to be on clusters and networking and on "whole-region" themes. Networking projects will play a key role. The idea is that the projects which are supported will not just be urban-based but will involve actors from the areas surrounding towns

(v) *Nordrhein-Westfalen 'Competitiveness' OP*

The *Land* Cabinet agreed on the core political framework for the ERDF OP on 17 January 2006. Consultation processes are to be held before reaching a formal *Land* government decision on an updated strategic paper, including a financial plan at Priority level, and details of domestic co-financing from the relevant *Land* Ministries, by the end of June or the beginning of August. The *Land* aims to submit the OP to European Commission in mid October.

Compared to the 2000-2006 SPD, there will be less emphasis on infrastructure, and a stronger emphasis on taking a more integrated approach. The ERDF Competitiveness OP will aim “to develop competitiveness by promoting innovation processes and specific strengths in the entire *Land*”. Sub-regions will need to develop strategies aimed at building on existing strengths and developing new clusters, focusing business support on medium-sized businesses, especially innovative SMEs and service sector firms, and raising the quality of interventions by allocating funds through competitive calls for tender, and by emphasising projects with wide or exemplar effects. The ERDF OP also aims “to support convergence by raising the competitiveness of structurally disadvantaged sub-regions”, including parts of the Ruhr.

Relating to spatial targeting, preparations for the NRW OP have seen strong controversy over the question of whether funds should be allocated only to those areas with specific structural socio-economic weaknesses or to all areas. The outcome of these debates is that funding will in principle be *Land*-wide but some specific measures or instruments will be targeted on specific kinds of location.

The three priorities of the ERDF OP will be:

1. Support for start-ups and SMEs, including both funding and services; funding outside the structurally weak areas will be focused on innovation;
2. Innovation and the knowledge-based economy - which will receive a large share of funding, at least partly to be allocated throughout the *Land*; funding should be allocated via competition;
3. Urban and sub-regional potential, aimed at raising the attractiveness of disadvantaged areas, notably urban areas.

In 2007-13 EU allocations to NRW will amount to around € 2 billion euro, including ERDF, ESF and rural development funding. The financial allocation of funds between Priorities has been decided as following: around 20 percent will go to Priority 1; 50 percent to Priority 2; and 30 percent to Priority 3. It has also been decided that 50 percent of funds will go to the structurally weak regions, and 75 percent for the Lisbon goals.

(vi) *Toscana ERDF ‘Competitiveness’ OP*

First discussions with the European Commission on a draft OP were expected to take place around mid-May. A revised draft is expected at the beginning of June and will be used as a basis for discussions with institutional and socio-economic partners.

In terms of the programme’s overall strategic approach, an indication is set out in a Key ‘Preliminary Strategic Document’, which identifies the following key themes innovation, accessibility (IT networks and urban transport) and environment (with strong focus on urban environment).

It is expected that “urban systems” will be an important aspect of the programme’s focus and that “Poles of Excellence” may be used as a way to channel resources. The precise

location of the development poles has been under discussion, but there are various possibilities in the industrial districts of the region, e.g. in the field of bio-technologies. Also, cultural and tourism poles will be supported, i.e. to promote tourism outwith Florence.

Overall, the main strategic shift in comparison to the current programme is towards a clear alignment with the Lisbon strategy, which will be addressed directly through two priority themes: innovation and accessibility and through ESF support for training.

(vii) North East England ERDF 'Competitiveness' OP

In North East England, the region expects development of the OP to take about three months, followed by a full public consultation (12 weeks).

The NE England OP will have fewer measures/instruments - and a tighter focus. Exactly what will be left out has not yet been decided. The changes are driven more by the smaller budget than by Lisbon; the feeling is that Lisbon is already embedded in the current programme, certainly since the Mid-Term Evaluation. As the new programme will be very closely aligned with the RDAs Regional Economic Strategies (RES), and Lisbon is embedded in the RES, by implication it will also be embedded in the new OP. The estimate is that the programme might receive half of current funding levels.

Priorities are expected to be closely aligned with domestic funding programmes, specifically (for ERDF) the Regional Economic Strategies, as well as possibly the new Local Area Agreements and Neighbourhood Renewal Fund. The new RES has three simply-stated priorities: business, people and place.

(viii) Lowlands and Uplands Scotland 'Competitiveness' Programme

In Scotland, the OPs are being written by the Scottish Executive. The plan is to have a public consultation on the new programmes in late June/early July, followed by submission to the Commission for negotiation in the summer.

In Scotland, there will be four OPs: ERDF and ESF Phasing-out Convergence programmes for the Highlands and Islands; and ERDF and ESF Competitiveness Programmes for Lowlands and Uplands Scotland. The whole of Scotland outside the Highlands and Islands is covered by the Lowlands and Uplands Scotland Programme. The *leitmotivs* of the Scottish programmes are the key Executive strategies - Smart Successful Scotland, Workforce/Employability Framework (social inclusion) and the Regeneration policy statement. The proposed future priorities for ERDF Competitiveness Programme (Lowlands and Uplands Scotland) are:

1. Innovation and enterprise development. To enable Scotland to improve and make full economic use of its RTD base and enhance the business support environment for entrepreneurship and new and high-growth potential enterprises (Parent strategy: Smart, Successful Scotland). Four objectives specified.
2. Community regeneration. To address the social exclusion challenges of the most disadvantaged communities within the region (Parent strategy: Closing the Opportunity Gap, Scottish Rural Development Strategy). Three objectives specified.

3. Environmental and rural sustainability. To promote the sustainable economic use of environmental assets, alternative energy sources and address the specific challenges of peripherality and economic sustainability in rural areas.

(ix) *Wales OPs for West and East Wales*

In Wales, the new OPs are to be more focused, with fewer, more strategic (and larger) projects and simplified funding streams, with more pre-match funding and co-financing. There will be three OPs: ERDF West Wales and the Valleys Convergence Programme; a single Human Resources programme for Wales (Convergence and Competitiveness ESF); and an ERDF Competitiveness OP for East Wales. The *leitmotifs* of the Welsh programmes could be described as: taking a more strategic approach to delivering the Cohesion agenda; and delivery of the strategic policies developed by the Welsh Assembly Government). The priorities proposed for West Wales and the Valleys (Convergence) are:

1. *Improving knowledge and innovation for growth*(ERDF);
2. *Creating a favourable business environment*, including transport, ICT, clean and renewable energy, environmental goods and services, waste etc(ERDF);
3. *Building sustainable communities*, including business sites, urban and rural regeneration and community development (ERDF);
4. *Increasing employment and tackling inactivity*, including helping people into work, tackling barriers to employment, childcare, promoting healthier lifestyles and promoting equal opportunities (ESF);
5. *Improving skills levels*, including the transition from school to work, improving basic skills and addressing skills gaps (ESF);
6. *Building the administrative capacity of public services*, including the development of human resources and capacity building initiatives in the context of the Making the Connections Strategy (ESF).

The priorities proposed for East Wales (Competitiveness) are more limited in their focus:

1. *Building the knowledge based economy*, focus primarily on R&D and innovation
2. *Enhancing the environment*, includes community regeneration, clean and renewable energy, environmental goods and services, environmental protection and improvement and waste management (ERDF)
3. *Promoting accessibility*, includes integrated transport initiatives and ICT (ERDF)
4. *Increasing employment and tackling inactivity* (same as for West\Wales and the Valleys) (ESF)
5. *Improving skills levels* (similar to WW&V but more focus on demand-led training) (ESF)

The Welsh European Funding Office intends to put the programmes out for consultation during the summer.

7. THE MANAGEMENT AND IMPLEMENTATION OF NEW PROGRAMMES

The final question for this paper concerns the management and implementation arrangements for the NSRFs and OPs in the 2007-2013 period. These aspects of programme preparation are particularly important as they provide a crucial basis for the successful delivery of the strategies. This section first presents a possible typology for discussing the degree and direction of change in different Member States, identifying countries where the nature of change is likely to be significant. In a second part, the main drivers for change are identified before possible implications for future programme implementation are described. Some of the debated issues which are particularly interesting with respect to future implementation arrangements will be highlighted.

It is important to note that the following synthesis and typology should be regarded as provisional. In many countries, the final implementation structure has not been decided; discussions are often still under way, and there is frequently considerable sensitivity about the outcome, particularly where changes in central government ministerial responsibilities or central-regional relations are involved.

7.1 Typology of management and implementation changes

To date, most Member States have decided or are about to agree on the future programme architecture. This concerns the number of programmes, their thematic orientation as well as the split between central and regional OPs. In some cases, current implementation arrangements will be largely retained. Elsewhere, significant changes are planned, including the regionalisation of some implementation responsibilities and the rationalisation of some existing systems.

7.1.1 Retention of current implementation structures

In a first group of countries, it appears that changes to governance and implementation arrangements are likely to be limited. In these cases, it seems that the existing structures and allocations of responsibilities will be largely maintained, apart from some reorganisation of functions between or within government departments and some systemic changes in co-funding, monitoring etc. This applies to countries with:

- *a centralised approach* (e.g. **Estonia, Latvia, Lithuania, Malta, Cyprus, Luxembourg**), where implementation of EU Cohesion policy is predominantly carried out through line ministries and agencies. In the **Baltic states** and **Slovenia**, efforts are under way to give sub-national implementing bodies more of an involvement in the Structural Funds administration process but not to the extent of regionalising management;
- *a mixed central-regional approach*, with different emphases placed on the national and regional levels (e.g. **Finland, France, Ireland, Objective 1 Italy** and **Spain**);

although there is support for further regionalisation in some countries, change is likely to be limited (e.g. **Hungary**). In some of these cases, discussions about the centralisation of the Structural Funds have been controversial parts of management and implementation debates (e.g. **France, Finland**);

- *a regionalised approach (Austria, Belgium, Germany, most of Italy)*, with responsibility for implementation retained at the regional level.

France - Regional experimentation and centralising tendencies

In the course of the current programming period, certain management tasks were delegated from regional State services to the elected regional councils, e.g. for the INTERREG and URBAN Community Initiatives. In this context, the Alsace region applied to become a Managing Authority on an experimental basis, and it was hoped that this might be extended to other regional councils after 2006. At the beginning of 2006, the government decided that, except for the Alsace region - where the regional council is continuing with its experiment - all regional ERDF programmes will continue to be managed by the regional *préfets*.³⁹ It is argued that the experiment has not proved to be markedly more efficient, that the changes are too recent to be meaningful, and that the diverse competencies involved in Structural Funds policies necessitate a State managing authority.⁴⁰ Territorial authorities will retain the possibility of applying for global grants up to 40 percent of the programme envelope.

7.1.2 Regionalisation of some implementation aspects

In some newer Member States (**Poland, Czech Republic, Slovakia, Hungary**), prospective increases in funding, the experience accumulated in the current programming period, and processes of domestic administrative reform are combining to push for a regionalisation of some aspects of implementation. It is anticipated that the significantly increased amounts of Convergence funding will be managed predominantly through central implementation structures, with substantial shares being allocated through sectoral line ministries. However, to varying degrees, regional bodies in these countries (such as regional governments in Poland) will have greater responsibility for the management of Regional Operational Programmes in the next programming period.

³⁹ Concerning the future programmes of territorial cooperation, the experimentations underway in several regions can also be pursued.

⁴⁰ DIACT (2006) *Dossier de presse du comité interministériel d'aménagement et de compétitivité des territoires du 6 mars 2006*, Hotel de Matignon, p. 22.

Poland - Partial regionalisation of managing and implementation tasks

In Poland, the planned shift from an Integrated Regional Operational Programme to 16 individual ROPs means that the role of the Managing Authority for these programmes will pass from the Ministry for Regional Development to regionally-elected Boards and their executive bodies, the Marshals Offices. No decision has been made yet on whether the role of Paying Authority should be centralised, for instance in the Ministry of Finance, or regionalised along with the new Managing Authorities. There is similar uncertainty regarding the role of the Certification Authority which might be deconcentrated to the offices of centrally-appointed regional governors. The Auditing Authority will be central, fulfilled by the Ministry responsible for public finances.

7.1.3 Rationalisation of implementation structures

A third group of countries are those where a reduction in the volume of Cohesion policy receipts will require a rationalisation of implementation structures, through a reduced number of sectoral programmes and central or regional Managing Authorities, or through a new division of responsibilities between levels.

- Rationalisation at the *central level* (e.g. **Portugal, Italy, Spain**). In these countries, there are stated aims of increasing the proportion of funding allocated via the regions, but this is contested and generally not yet agreed.
- Rationalisation *between levels*, through a change in the balance between regional-level and central government responsibilities (e.g. **Greece, Sweden**). In Sweden for example, the government is considering the possibility of replacing the current decentralised management approach with a single Managing Authority at the central level. The aim is to increase clarification and simplification. At the same time, it is also planned to set up economic fora in the regions to act as think tanks, thus ensuring strong regional participation.
- Rationalisation at the *regional level*. The final group of countries are those where Structural Funds receipts will be provided almost exclusively under the Regional Competitiveness objective (e.g. **Flanders, Netherlands, Sweden, UK**). For some, in a context of much reduced funding, this is associated with modifications in the range and/or functions of regional or sub-regional implementing bodies. There are two aspects of this process:
 - more efficient implementation structures through a shift from ‘differentiated’ to ‘subsumed’ approaches. For example, in the **UK**, the regionalised approach to management is likely to be retained but more funding will be channelled through so-called ‘co-financing organisations’ (sectoral bodies, agencies etc);

- reduction of the number of regional programmes and more emphasis on national government priorities (as in the **Netherlands**).

7.2 Drivers of management and implementation change

Changes to implementation arrangements in some Member States are being driven by a variety of factors. Reorganisation can be triggered by modifications taking place within the overall Structural Funds framework but it can also be linked to domestic reform efforts. Often, change is linked to a combination of the two.

7.2.1 *New framework conditions*

The outcome of the budget negotiations and the new Regulations have had an impact on Member States' preparations to implement new programmes. Changes in funding levels are obviously influential:

- *Reduced levels of funding* are demanding more focused, simplified approaches to implementation that can include centralisation, reduction in the scope of partnership arrangements and subsuming financing arrangements within domestic systems. Where funding amounts lie beneath a certain threshold, the feasibility of a devolved management structure is being questioned, as the administrative obligations associated with Structural Funds management and implementation are seen to outweigh the actual added value generated.
- *Increased funding amounts* can lead to a higher number of programmes in 2007-13 involving issues of managing complexity of financial planning, coordination challenges across and between levels, the potential expansion of partnerships and their efficient management and general concerns with the absorption of funding.

Another source of adaptation and reform are the new Commission guidelines, e.g. concerning:

- *shift to a mono-fund approach* which means that there will be separate ERDF and ESF programmes, leading to an increased administrative burden and challenges in ensuring strategic coordination. An indirect effect of this requirement can be that individual Member States consider it more efficient to centralise the previously regionally managed ESF programmes (this can also apply to the EAFRA) making coordination even more demanding (see below);
- *earmarking requirement* - although the orientation of programmes towards the Lisbon agenda is set at the strategic level, the implementation phase is crucial in realising related objectives. This implies greater targeting and selectivity in the

process of project selection in order to reach thresholds and targets and to ensure added value (see below); and

- *less binding eligibility rules* - while initially intended to encourage greater simplification, the lack of specific guidance can, in some cases, create uncertainty in designing implementation systems. This increases the risk of Member States building additional layers into implementation systems and increasing their complexity.

Although this first group of drivers can be identified as emanating from an external source, it has to be borne in mind that they are the result of frequent interactions between the Commission and the Member States. This applies to the inter-governmental compromise on funding levels and related, country specific agreements. It also refers to the preliminary guidelines which were, over the past months, subject to various changes and adaptations.

7.2.2 Links with domestic reform processes

Linked to the above mentioned changes in the general framework, in some countries management and implementation arrangements are being adapted in conjunction with ongoing domestic reforms. Centralisation and decentralisation debates are taking place in individual Member States, sometimes associated with further issues of territorial administrative reforms at regional or local levels. These processes can impact on programme implementation systems in a number of ways.

First, there can be interactions between changes in the level of Structural Funds available and domestic reforms of regional policy administration systems. In some countries, parallel processes are taking place which complement either reduced (e.g. **English regions**) or increased (e.g. **Polish regions**) levels of funding; in other countries, the plan is to put management mechanisms in place to increase coordination between the implementation of Cohesion policy and of domestic policies (e.g. Denmark, see box below).

Denmark - local government reform and future programme implementation

In 2007, a major reform of local government will come into force which will reduce the number of local authorities by around one third and the number of intermediate-level units from 14 *Amter* to five large regions. In parallel with this, a new Business Development Act has been passed which gives the new regions statutory responsibility for economic development and thereby raises the profile of this area of public policy significantly. Each of the five new regions is obliged to establish a *Regional Growth Forum*, a partnership body in the traditional Structural Funds mould, which will, amongst other things, become responsible for recommending projects for approval at the national level in the successor to the Objective 2 programme. Moreover, the new setup also involves closer statutory relations between the various tiers of government.

Second, especially in a context of reduced funding, a desire for closer links between EU and domestic regional policy strategies can be observed which has implications for the allocation of implementation responsibilities. In such cases, the rationalisation of implementation arrangements not only includes efforts to increase coordination between the implementation of Cohesion policy and of domestic policies, but also involves efforts to achieve a closer alignment of Structural Funds with the objectives of major domestic programmes (e.g. France, England, the Netherlands and Scotland).

England - separating strategic management from day-to-day implementation

In the future programming period, the Regional Development Agencies (RDAs) are likely to take over much of the operational tasks from deconcentrated Government Offices, in keeping with their expanding domestic regional policy portfolio in recent years. To achieve closer alignment, Regional Economic Strategies, formulated by RDAs, will form the basis for the new generation of OPs. The Government Offices will take a more strategic role, without the burdens and responsibilities of managing programme expenditure but maintaining a strategic overview. As part of the move to taking a more strategic role, the Government Offices will be losing about one-third of their staff, implying that project appraisal and grant application functions will be moving to the Regional Development Agencies.

It should be noted that it is not always easy to negotiate change and ensure strategic coherence between EU and domestic regional policy implementation systems. Centralising frameworks and mechanisms for the implementation of Structural Funds is bound to be more straightforward where elected regional authorities are not involved, whereas the scope to devolve implementation systems depends on the presence of relatively strong regional administrative arrangements.

7.3 Implications of change for strategic Structural Funds management and implementation

In order to be effective, the new management and implementation arrangements need to be supported by all involved actors. Implications arising from the above discussed changes especially relate to coordination needs, capacity issues, partnership arrangements and concentration efforts. These are similar in nature for many Member States but can take different forms depending on whether an increase or a decrease in funds is taking place.

7.3.1 Challenges and opportunities for future coordination

Coordination between and across levels is crucial for achieving strategic objectives. The new funding environment offers challenges and opportunities in this respect.

For those Member States receiving increased funding envelopes and planning a greater involvement of sub-national authorities, *challenges* can include the management of increasing complexity. Increasing numbers of programmes, more complex financing mechanisms and the potential expansion of partnerships make the clear division of responsibilities and coordination of regional management responsibilities across and between administrative levels crucial. At the same time, there is an *opportunity* for interventions to be carried out in a way that is more adapted to the territorial context,

allowing for better targeting on regional priorities and a strong sense of regional ‘ownership’.

For Member States anticipating a significant reduction in funding and therefore rationalising related administration mechanisms, *challenges* can relate to the coordination between sectoral ministries. Achieving consensus on strategic choices can be problematic. Moreover reconciling potentially divergent rationales of Cohesion and domestic policies can be a challenge. However *opportunities* can be seen in the use of aligned funding mechanisms in terms of more efficiency. Also, Structural Funds can be allocated in a more targeted way.

For many Member States the obligation to establish separate programmes for the various funds due to the mono-fund approach presents a significant coordination challenge. This does not only concern the need for synergies between ERDF, ESF and rural development (e.g. **Poland, France**) but also issues of central-regional coordination in cases where ESF management is centralised and ERDF management is regionalised. One possible approach is through joint committee structures which are planned, for example, in **France, North-East England** and **Finland** (see box below).

Finland - Central-regional coordination within integrated regional partnerships

The degree of complementarity between ERDF and ESF interventions is part of a debate on the balance between effective partnership at the regional level and efficient national administration. The compromise solution will consist in the set up of a national ESF programme with regional chapters to which 50 percent of the funding will be allocated. For the future period it will be necessary to harmonise several approaches: the central perspective of the Ministry of Labour which stresses national decision-making in collaboration with regional centres representing several ministries; the interest of the Ministry of the Interior to set up Regional Management Committees responsible for all funding decisions at the regional level; and the regions’ “round tables” with broad actor participation in programming. As regional councils have to approve the regional ESF chapters, the ministerial centres in the regions are required to engage in close cooperation.

7.3.2 Capacity issues linked to changes in funding levels

The scope for adapting to new roles or changing approaches to implementation relies to a great extent on regions’ administrative roles - in respect of their decision-making autonomy, their policy-making capacity and their financial strength. In cases where it is planned to grant regional bodies more responsibility for the implementation of regional OPs (e.g. **Poland**), debates over the appropriate level for management systems are ongoing. The aim of increasing the role of the regions must be balanced against certain concerns with respect to:

- administrative capacities - in some cases staff changes are taking place in order to increase administrative resources (e.g. **Slovakia**);
- financial planning mechanisms, and

- the ability to mobilise co-funding resources in order to ensure absorption of funding.

For instance, in countries, such as **Hungary** (see box below), differentiated development patterns make the regional issue particularly important. However, the absence of strong, elected bodies at the regional level that could take on strategic planning or management responsibilities is an obstacle to decentralising management responsibilities.

Hungary - Regionalisation or status quo?

Prolonged debates about the structure and number of regional OPs have taken place in Hungary. Initially, the government planned to adopt six single regional OPs for each “Convergence” region reflected in a parliamentary decree which would have strengthened the role of regional development agencies and regional councils. These bodies were also committed to the proposal and good progress had been made regarding the preparation of separate draft ROPs. However, the Cabinet ultimately took the decision to set up an integrated ROP for all Convergence regions. This will be a joint document incorporating priorities for each region prepared by the Office for Territorial and Regional Development and based on inputs from the regional authorities. The decision to adopt a single document could have important implications for the management and administration of the programmes, specifically regarding the level of regional institutional involvement. A key question concerns the role of the Hungarian regional development agencies and regional development councils. These debates are very similar to those preceding the current programming period. Additional budget pressures as well as Commission recommendations point at the retention of the current structure.

Where a rationalisation of implementation arrangements is envisaged, it has to be ensured that the centralisation of tasks does not stretch the capacities of responsible bodies. In **Scotland**, for example, the use of single-stream funding mechanisms that would subsume Structural Funds’ financing arrangements within the domestic system is being considered. One suggestion is that large blocks of funding would be passed to organisations such as Scottish Enterprise and Highlands and Islands Enterprise to deliver a range of projects, or to pass on to project sponsors. Generally, new systems based on single funding streams must be aware of the demands this places on the capacity of co-financing units and of the need to demonstrate additionality and added value.

7.3.3 Implications for partnership arrangements

A key question relates to the extent to which any new organising principles will be based on high-level strategic partnerships or a bottom-up approach. This emphasises the importance of coordination and, particularly, the flow of information between national and regional levels.

With increasing resources, and partners becoming more firmly embedded within the Structural Funds framework over the 2000-2006 period, some Member States are currently exploring ways to expand partnership arrangements. For example, regional self-governments in **Poland** will have Managing Authority status for Regional Operational

Programmes for the first time in 2007-2013 and some are planning to mobilise sub-regional partnerships, including territorial units, universities, business representatives etc. Again, uncertainty over the legal status, composition and structure of partnerships make the choice of resource allocation mechanisms particularly crucial.

Śląskie - Strategic partner involvement

In the context of the regional OP and based on preparatory consultation exercises, plans are to mobilise the four sub-regions and strengthen the metropolitan functions of the agglomerations which, taken together, are seen as important to the development of the region as a whole. These entities are given the opportunity to develop Integrated, Sub-Regional Development Programmes which they have already been actively developing. Up to the end of 2007, sub-regions will be invited to set up Action Plans containing 25-30 projects under one strategy with one objective considered as being particularly important. How funds will be allocated from the regional OP, and the composition and the structure of the partnerships, are still uncertain.

Member States wish to maintain strong partnership involvement but, against a background of reduced funding, some perceive the need to find more efficient ways to manage partner contributions. While there is consensus that the new programming environment will demand rationalisation and simplification of the delivery system, a key challenge here is ensuring that the experience and expertise in programme implementation, amongst different partners and at different administrative levels, is not lost. Under the heading “governance as implementation strategy” the Austrian NSRF emphasises that “tacit knowledge” and resources are spread over a multitude of public and private actors which need to be mobilised, organised and coordinated based on Austria’s long experience of strategic partnership at and between levels.⁴¹

7.3.4 Strategic selectivity and concentration of funding

Following clear indications from the Commission, but also similar domestic concerns regarding greater selectivity and more targeted funding allocations, diverging approaches emerge at the national and regional levels in order to tackle the challenge of concentration (e.g. in Greece, it is envisaged to reduce the number of final beneficiaries and encourage cooperation between them, through the setting up of a register). In some countries, centrally-steered selection processes are emerging, whereas in others, regions are trying to pool projects identified at a territorial level.

One approach is to identify key projects from the outset which will receive specific attention (e.g. Silesia). Some Member States plan to channel at least part of the Structural Funds to support large projects through **selective domestic schemes**, such as the Competitiveness Poles in France and Wallonia, and the *Peaks in the Delta* in the Netherlands. In Hungary, based on a national “growth pole strategy”, involved cities have

⁴¹ Österreichische Raumordnungskonferenz (2005) *Strat.at 2007-2013*, Einzelstaatlicher strategischer Rahmenplan für die österreichische Regionalpolitik 2007-2013, Final Draft, p. 63-64.

to draft a growth pole programme identifying useful links to the OPs. Differences in rationales and funding mechanisms can however complicate this kind of approach.

The Netherlands - selective poles and regional cohesion strategies

In the Netherlands, tensions arise between a bottom-up approach and the desire for more top-down steering in order to assert national policy objectives in the regions and prevent further dispersal of funding. Whereas the *Peaks in the Delta* programme is based on six macro-projects which are selected following the national agenda, projects funded by the Structural Funds in the framework of four regional OPs are regional in scale and broader in policy range. The effective coordination between a more concentrated approach at the central level and a broader programming focus at the regional levels is seen to be very important to the ultimate success of the two initiatives.

In various regions, innovative approaches are being pursued, building on the combined input of subregional actors. In **Vlaanderen** for example, it is hoped to achieve greater efficiency through a network approach. If projects dealing with similar issues are proposed they will be accepted depending on their size either as ‘stand alone’ projects or following a collaborative approach in the case of smaller projects. Another example is the experimentation carried out in **Toscana** since 2000 in the form of the so-called Integrated Projects for Local Development (PISL, *Progetti Integrati per lo Sviluppo Locale*) which will be re-proposed and improved in 2007-13. These composite projects are believed to have delivered high levels of added value thanks to: the bottom-up formation of the individual projects that compose the PISL, the synergies created by the integration of the plurality of projects developed by sub-regional actors, and the selection mechanisms based on thorough assessment and evaluation procedures.⁴² Finally, in **Wales**, a strategic framework approach will be applied through major interventions composed of a number of project activities (“a basket of projects”) which operate with flexible business plans based on co-financing or pre-match funding arrangements.

Summing up these various observations Table 14 brings together the direction of the changes to management and implementation, as well as the implications of the changes. It suggests a considerably greater level of change to management and delivery systems than has taken place in previous reforms of the Funds and indicates a challenging period of adaptation for programme managers.

⁴² Sandra Taylor et al. (2004) *Achieving the aspirations of the 2000-06 programming period*, IQ-Net Thematic Report 14(2), European Policies Research Centre, University of Strathclyde, Glasgow, p. 36-39.

Table 14: Direction and implications of change

Direction Implications	Rationalisation	Mixed approach	Regionalisation
Reorganisation	Centralisation of managing authority Reduction of OPs	Rationalisation at central level and decentralisation of management tasks	Decentralisation of managing tasks Increase of number of regional OPs
Coordination challenges	Coordination between ministries More targeting of funding	Vertical and horizontal coordination efforts	Coordination across levels Managing complexity
Opportunities	Alignment of domestic and Cohesion policies	Alignment and integration with regionally adapted domestic policies	More regionally adapted and targeted interventions
Partnership arrangements	Reduced partnership vs. maintenance of expertise at sub-national level	Balanced representation of central and regional interests	Widening of partnership vs. efficient management
Capacity issues	Pooling of tasks and resources requiring adapted capacities	Optimising resources at central and regional levels	Capacity building at sub-national level (mobilisation of co-financing, fund absorption)
Country examples	England Flanders Denmark Scotland Sweden?	Finland Greece? Portugal Italy Spain?	Czech Republic Hungary? Poland Slovakia

8. CONCLUSIONS

With agreement on the financial framework for Cohesion policy in 2007-2013, and the likelihood of the draft Regulations being approved by the European Parliament in July⁴³, attention is now focused on strategic planning for Structural and Cohesion Funds in the next period, particularly the drafting of the National Strategic Reference Frameworks and Operational Programmes.

The NSRFs are the main element of innovation as regards the new architecture of Cohesion policy for the period 2007-13, which marks the latest change in a process of adaptation that, since 1988, has seen Cohesion policy being reviewed at the beginning of each programming period. The new hierarchy (CSGs, NSRFs and OPs) represents a radical innovation, especially for those Member States (the majority of the EU15) which have not had a nationwide CSF, or indeed a CSF at all, and where sub-national authorities were free to devise their own strategies for regional development.

With respect to the content of future Cohesion policy strategies, a further element of innovation is represented by the emphasis of the Community Strategic Guidelines on the goals of growth, jobs and competitiveness of the renewed Lisbon agenda. For some, a contradictory and contested issue, this turn in the strategic direction of European Cohesion policy - which the Commission has promoted since at least 2003, with the mid-term review of the current programmes - is generally seen as a necessary change for both the longer-term performance of the Union as a whole, and the preservation of Cohesion policy added value in those Member States where the policy is losing ground.

Against this background, old and new Member States have had to face a number of challenges in their strategic discussions:

- First, Member States have had to resolve the difficult question of how to ensure the coherence of Cohesion policy programmes with the National Reform Programmes;
- Second, Member States have had to devise a coherent framework of strategic choices, based on the development needs identified and on the indications contained in the CSGs;
- Third, Member States have had to determine strategies which embrace the whole country and yet are able to respond to different development needs and opportunities, at different territorial scales;
- Fourth, the Member States face difficult choices between continuity and change in the strategies proposed and on how to maximise the added value of available Cohesion policy resources;

⁴³ As already noted, the regulations were approved on 5 and 11 July 2006.

- Lastly, all Member States will have to adopt implementation arrangements suitable to the new programming framework, for instance taking into account the need to manage considerably increased or reduced volumes of resources.

All of this had to be established in a context of institutional cooperation and partnership which, in some cases, has been considered detrimental to the focus of the strategies proposed, causing a 'watering down' of the choices made.

Faced with such challenges, it is not surprising that some NSRFs are perhaps not as strategic as might have been expected. The research conducted - albeit based on incomplete NSRFs and, for a large number of Member States, on interview or secondary evidence - suggests that the NSRFs of all EU27 Member States are indeed oriented towards the achievement of the goals of the Lisbon agenda. The universal goal - more or less explicitly stated - of all Member State frameworks is higher national growth and competitiveness⁴⁴, but this orientation is quite generic. Meeting the Lisbon agenda has translated into a quite straightforward thematic/sectoral orientation of the NSRFs e.g. related to R&D, innovation, development of human capital. The territorial orientation of the frameworks, however, is less clear. For example, while some countries place emphasis on growth poles, clusters, excellence poles etc., an explicit acknowledgement of the need to target resources to under-developed areas can also be found in some NSRFs. Sometimes, both approaches coexist, but what this will entail in practice remains mostly unresolved. It will be therefore the translation of the NSRFs into Operational Programmes that will determine whether 2007-13 will indeed mark a 'quality jump' in Structural Funds programming, and whether the future strategies will be able to deliver the Objectives assigned to Cohesion policy by the Treaty as well as by the Lisbon goals of competitiveness, growth and jobs.

⁴⁴ Often complemented by a combination of accessory goals, such as quality of life and territorial attractiveness; development of human capital and societal modernisation; social cohesion; balanced territorial/sustainable development and European or national convergence.