ESPON
EUROPEAN SPATIAL PLANNING OBSERVATION NETWORK

ESPON 2.2.2
Pre-Accession Aid Impact Analysis

Final Report

Part 1: Summary

Co-financed by the European Community through the Interreg III ESPON Programme

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Pre-Accession Aid Impact Analysis

Final Report – Summary

This report represents the final results of a research project conducted within the framework of the ESPON 2000-2006 programme, partly financed by the ERDF through the Interreg III ESPON 2006 programme.

The Member States of the EU 25, plus Norway and Switzerland, and the EU Commission are carrying through the ESPON programme. Each country and the Commission are represented in the ESPON Monitoring Committee.

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Foreword

This report presents the results from the ESPON project 2.2.2 titled "Territorial Effects of the Application of the EU 'Acquis' and Community Policies as well as Pre-Accession Aid and PHARE". The objective of this project has been to conduct a comparative territorial analysis of the national instruments of structural policy in the new Member States, who joined the EU in 2004, and the Candidate Countries Bulgaria and Romania. Also the non-EU members Norway and Switzerland were to be included in the respective analyses as far as possible. The analyses aimed at territorial impact assessments of structural measures in these countries in order to improve the understanding of the relation between pre-accession aid respectively Structural Funds and spatial developments in European regions. In order to gain such knowledge different related policy instruments, including not only pre-accession aid and Structural Funds but sector policies, national regional policies etc. have been reviewed. As reference for spatial impacts, this has been complemented by analyses of spatial patterns of selected indicators displaying regional characteristics at European level.

This report is divided into the following parts:

- Part 1 contains an executive summary, a scientific overview as well as networking achievements and a review of open questions and data gaps.
- Part 2 represents the main part of the report, where all major findings of the whole project duration are presented.
- Part 3 finally consists of additional maps, figures and tables not included in the main part. In addition it comprises other information related to formal issues and the bibliography relevant for the whole project results.

The work within the project was organised in work packages with varying responsibilities and contributions from six research institutions, who, together with the BBR as German ECP, constituted the transnational project group:

- The methodological foundation (Work Package 1) which laid the basis for all further research activities in the project was developed under the responsibility of Hans Joachim Kujath (IRS) with participation of all project partners.
- Hypotheses development of spatial impacts of pre-accession aid and PHARE on the basis of a review of the respective policies (Work

Package 2) was coordinated by John Bachtler and Irene McMaster (EPRC).

- Indicator and policy data base development as basis for a comparative analysis of territorial allocation of pre-accession aid (Work Package 3) was conducted under the responsibility of Jesper Manniche (CRT) in close cooperation with Kirsten Kunkel and Sabine Zillmer (IRS). Furthermore, all project partners contributed to policy data collection for the different countries.
- The comparative review of national instruments for territorial policies (Work Package 4) was coordinated and largely conducted by Irene McMaster (EPRC) who was supported by country specific information provided by several project partners.
- The core territorial impact assessment of pre-accession aid (Work Package 5) was in the responsibility of IRS, where Sabine Zillmer coordinated the quantitative approaches and Kirsten Kunkel managed the qualitative analysis. Responsibilities for the different case studies lay with Agnieszka Olechnicka (EUROREG), Maciej Smetkowski (EUROREG), Kirsten Kunkel (IRS), Jesper Manniche (CRT), József Szarka (CRS HAS) and Zoltán Raffay (CRS HAS).
- The territorial ex-ante assessment of pre-accession aid and Structural Funds in the new Member States and Candidate Countries (Work Package 6) was coordinated by John Bachtler and Irene McMaster (EPRC) and undertaken in collaboration with the IRS team.
- Spatial integration issues in the context of INTERREG and PHARE CBC interventions (Work Package 7) were realised under the responsibility of Panagiotis Getimis and Theano Gialiri-Kouka (RDI). Case study responsibilities within this work package lay with Maciej Smetkowski (EUROREG), József Szarka (CRS HAS), Zoltán Raffay (CRS HAS); Jörn Krupa (IRS) and Theano Gialiri-Kouka (RDI).
- Finally, policy recommendations (Work Package 8) were largely developed by Hans Joachim Kujath and Sabine Zillmer (IRS), who also held the responsibility for overall project coordination. As of the contributions to policy recommendation development from a number of different work packages, it has been conducted in a joint effort of the project team.

Apart from the team members listed with above responsibilities also Martin Ferry, Sara Davies, John Gray, Carlos Mendez, Laura Polverari and Nina Quiogue from EPRC, Per Åke Nilsson, Dimitri Ioannedes, Tage Petersen and Hasse Jensen from CRT, Grzegorz Gorzelak, Karol Olejniczak, Jakub

Majewski and Katarzyna Krok from EUROREG, Dionisios Kalivas from RDI as well as Iván Illés from CRS HAS contributed to the analyses.

Apart from the project partners, many others have also contributed. Volker Schmidt-Seiwert and Lars Porsche from the German BBR supported the project in several ways, including data requests, mapping assistance, administrative help. Special thanks go to the Slovene ECP and MC as well as the Norwegian ECP who helped with country specific data and information. DG Regio and DG Agriculture also helped with policy data collection. Various staff members of Nordregio have also assisted the collaboration between ESPON projects 2.2.1 and 2.2.2, which finally allowed the development of joint typologies. We furthermore like to thank our interview partners and all others not mentioned who contributed with information and comments.

We hope, that this report will shed some light on the numerous open questions concerning spatial impacts of structural interventions and will be useful for future design and decisions on structural policies.

Erkner, March 2005

The Final Report of ESPON Project 2.2.2 is a team effort of all project partners given in alphabetic order below under leadership of IRS.

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Part 1: Summary

1 Executive Summary

The study represented below – and in the following two parts – represents the Final Report of ESPON project 2.2.2 "Pre-Accession Aid Impact Analysis". This project focuses on the contribution of pre-accession aid[1] measures in the new Member States and Candidate Countries to the attainment of spatial objectives as formulated in the ESDP. In particular, the research focused on the contributions of pre-accession aid to the objectives of spatial cohesion/convergence, balanced spatial competition and spatial integration and, to a lesser extent, polycentric development.

The analyses are based on the latest possible years of pre-accession aid programming, i.e. the period between 1998 and 2000 and to some extent also the following years 2001 and 2002. Due to a number of factors limiting such analyses there is no single methodological approach but a number of different access points attempting to shed light on territorial impacts of pre-accession aid interventions at different spatial scales.

Generally, this Final Report (FR) is based on the research steps undertaken in the whole course of the project, thus summarising and updating the main findings of the different Interim Reports and providing additional results gained throughout the last few months. This summary concentrates on the core findings, results and policy implications rather than providing a complete overview of the undertaken research. Consequently, it starts with some background information laying the foundation for the project's impact assessment. Thereafter, the main results of the different analytical steps are discussed, which terminate with policy recommendation development.

1.1 Rationale for EU Interventions with Regard to EU Enlargement

The European Union's policies strongly aim at the integration of the member and accession countries. In order to achieve this general aim, integration policies seek to create common markets, i.e. goods, capital and labour markets. Although most EU common policies do not explicitly point towards spatial objectives, many of them have territorial effects. Generally speaking, these policies address European markets with regions of different welfare levels. Hence, some regions are comparatively strong while others are rather weak with respect to income, competitiveness, social indicators and the like.

[1] In this report the term pre-accession aid is generally used not only for ISPA, SAPARD and PHARE funds of the latest programming period, starting in 2000, but also refers to earlier PHARE, PHARE CBC etc. allocations before the year 2000. However, if special reference is made to one or another programme then the programmes rather than this more general term is utilised.

The measures of EU common policies are differentiated between income support measures, regionalised structural measures, horizontal structural measures and sector policies (European Commission 1999), only some of them being relevant for the analysis of pre-accession aid.

On a theoretical basis, there are arguments saying integration contributes to convergence while others state the opposite effect, i.e. integration supports divergence between regions. According to neoclassical and Heckscher-Ohlin-Samuelson models integration encourages convergence, since the returns to production factors tend to converge when markets are opened up. As these models are based on a number of assumptions, including properly functioning markets, the outcome of integration may differ whenever these assumptions do not hold. Models, which lead to growing divergence, when markets are integrated, are based on the assumption that initial imbalances cause investments to concentrate in regions, which are in a technological lead while labour tends to shift to areas where career potentials are relatively high. Therefore, investments and labour movements tend to aggravate initial divergences. These two approaches are complemented by the new growth theory, which does not predict the outcome of integration beforehand. Instead, developments towards convergence vs. divergence depend on a high number of factors (see e.g. Molle 2001).

Taking this theoretical picture of different possible outcomes of integration policies, setting up internal markets as well as the integration experiences of the EU 15, it is most likely, that disparities are intensified in the course of EU enlargement, not only for the whole enlarged EU but also within the range of new Member States and possibly within these countries. The thread of increasing divergence appears to be particularly high, basically as of two reasons:

- Due to low financial means, the governments in most new Member States and Candidate Countries conduct little if any redistributive measures. This does not only hold for sector and income disparities but also for regional disparities.
- Markets in the CEECs have only been developing since 1989. Therefore, the assumption of perfectly functioning markets certainly does not hold in these countries.

As of these conditions in the CEECs, EU policies aiming at increasing convergence (cohesion), specialisation (competitiveness) and integration are of even stronger relevance for an enlarged EU 25 or EU 27 rather than for the EU 15.

1.2 Potential Oriented Impact Assessment

Within ESPON 2.2.2 research has been driven by the theoretically grounded insight, that regions benefiting from EU funds are struggling with specific regional bottlenecks, which can not be expected to be resolved by market forces in an appropriate way within a justifiable time. It further assumes, that while some regions are lagging behind other regions possess development potentials and growth potentials, which may not be mobilised by market forces in a sufficient way either.

Thus, this approach considers, that there are restrictions to use regional potentials and to reduce bottlenecks, which could impede the ability of a region to participate in processes of innovation and structural change. These impediments are then regarded as possible access points for political interventions. Hence, taking the concept of potential endowment as reference basis for territorial impact assessment (TIA), regional potential endowment has first to be analysed. Map 1-1 summarises the respective findings of the potential oriented cluster analysis by differentiating between types of regions which have basically different levels of potential endowment with priorities in different potential factors.

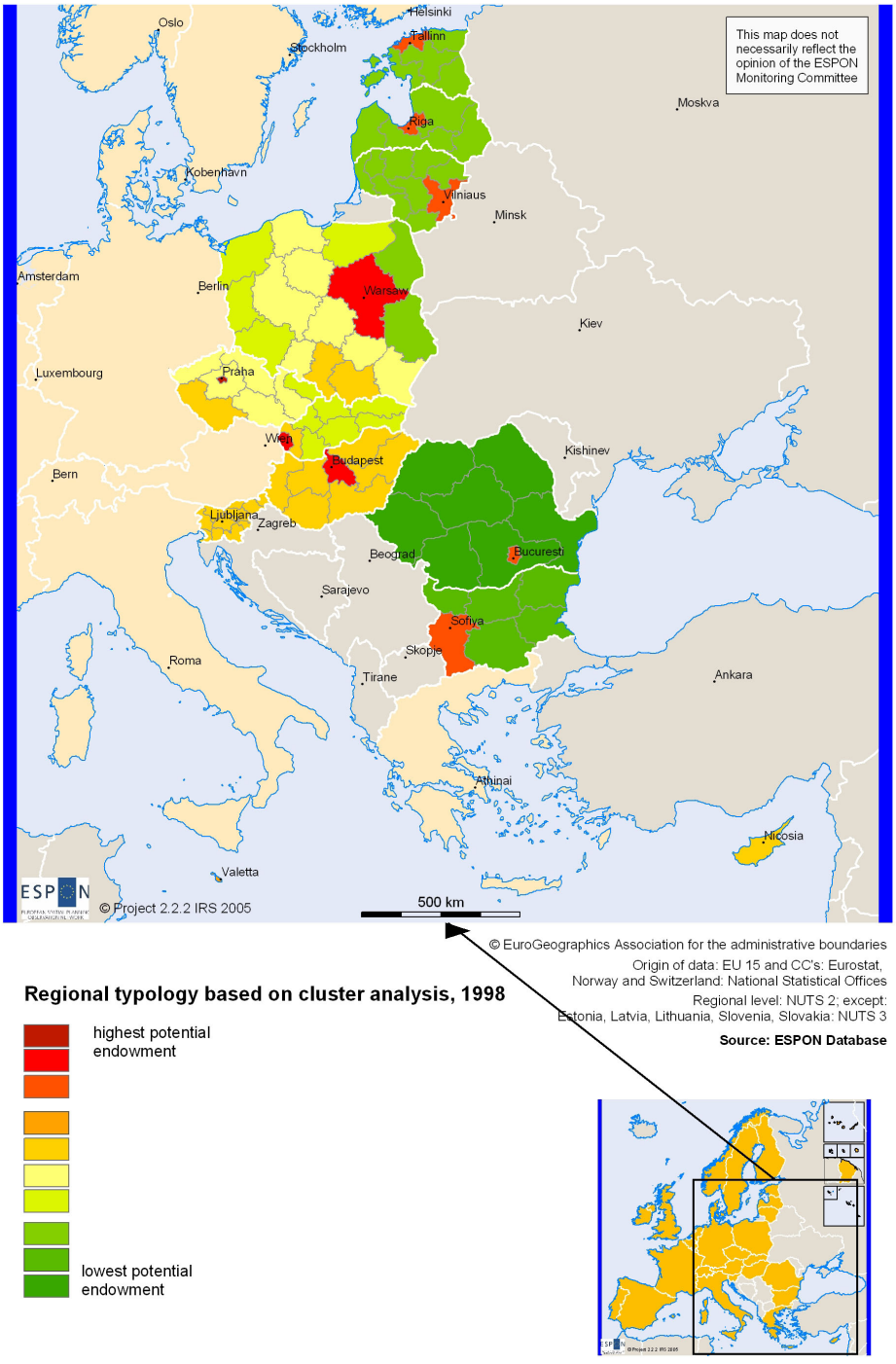
First, the regions which encompass the capitals and growth poles in the new Member States and Candidate Countries turned out to be the ones with the best potential endowment, largely without any factor presenting a serious bottleneck. However, from a European perspective, the more peripheral capital regions showed a somewhat poorer endowment as compared to the more centrally located capital regions.

The second category of types of regions can be described by largely medium potential endowment, where in different types of regions one or another potential is severely lacking or where a few endowment factors can even be regarded as bottlenecks hampering development. This category encompasses the Western border, centrally located rural and old industrialised regions as well as Malta and Cyprus.

The last category comprises the three types of regions with the lowest potential endowment and can generally be subsumed under the title of Eastern peripheral and rural regions. In these types of regions bottlenecks rather than potentials tend to accumulate, which mostly represent severe development obstacles.

Yet, while this analysis allows to indicate regional potentials and bottlenecks for different types of regions in a summarised way on macro level and thus places the individual regions in the European context, it can not replace deep and sound regional analyses, which stress regional specifics and potentials on a much more detailed level.

Map 1-1: Results of Potential Oriented Cluster Analysis, 1998/99



1.3 Regional and Spatial Impacts of EU Pre-Accession Funds

Generally speaking, the pre-accession funds provided to the regions of the Central and East European Candidate Countries and new Member States, in many respects, contribute to the territorial objectives through the achievement of their own primary aims. Though territorial and spatial development themes are not necessarily explicitly addressed, the shared

objectives of promoting convergence with the EU 15 and accession to the EU are very much in line with general EU spatial objectives. However, due to a number of limitations, these impacts can not sufficiently be measured in quantitative terms.

Therefore, it is important to recognise the role of pre-accession aid in the wider context of spatial cohesion in an enlarged EU. The development disparities between the Candidate Countries, the New Member States and the existing member states are substantial. While pre-accession aid primarily focused on the preparation of accession and the introduction of Structural Funds, longer-term perspectives and resources of the Structural Funds will more appropriately address the reduction of large-scale development disparities. Thus, institutional capacity building through pre-accession aid has been particularly important and can be expected to distinctively contribute to successful SF implementation in the new Member States.

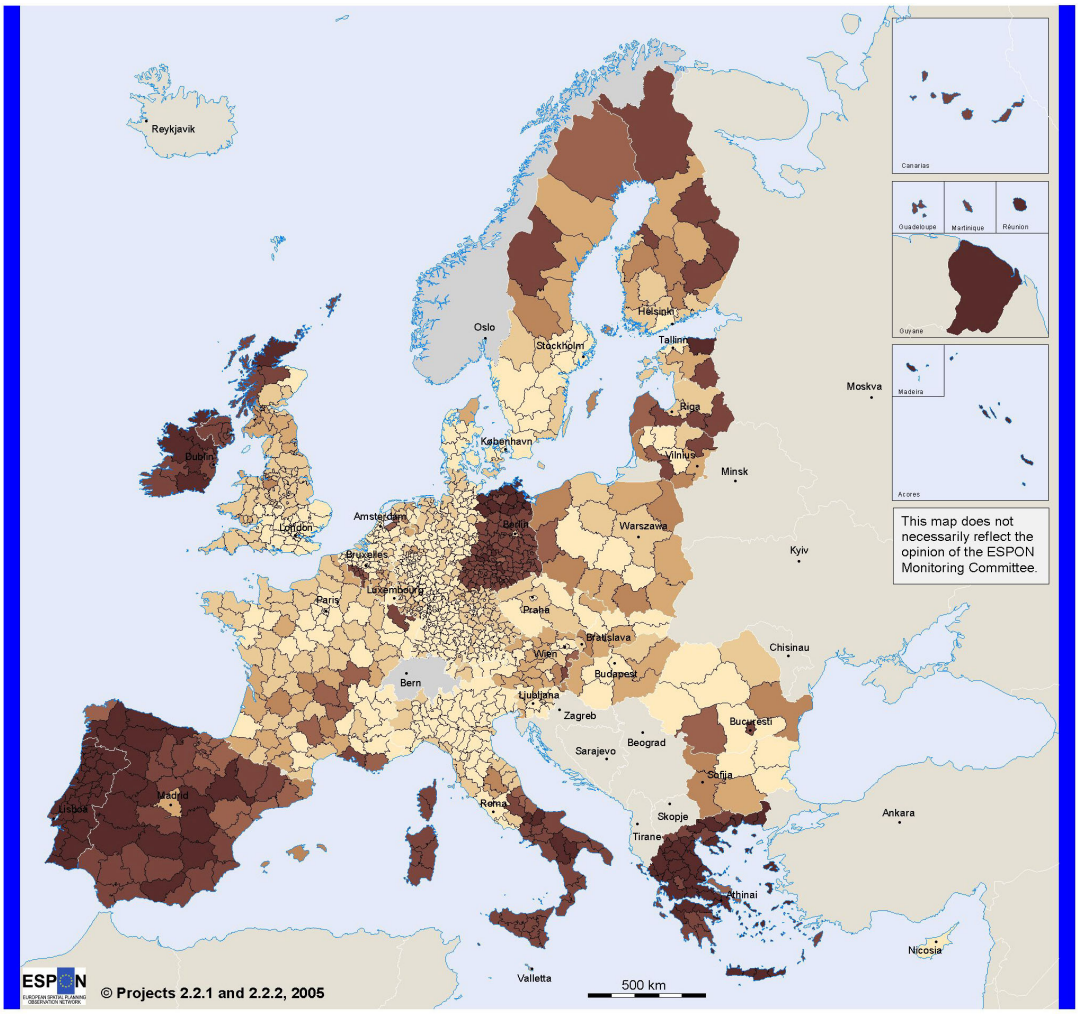
1.3.1 Regional Pre-Accession Aid Spending

Average annual PHARE, PHARE CBC and ISPA spending between 1998 and 2000 as percentage of average annual GDP is displayed in below Map 1-2 in comparison with SF spending. In the new Member States and Candidate Countries overall spending levels per region have been rather low with the majority of regions receiving no more than 0.4% of regional GDP per year. Although, these figures might be below actual allocations – since not all projects could be assigned to the regional level – regional allocations stay far below the absorption capacity defined for the national level. In many countries spending levels are relatively high in border regions highlighting the importance of PHARE CBC programmes. High spending levels in the Baltic States, however, rather result from large scale projects in several fields, such as environmental and transport infrastructure and economic and social cohesion programmes.

With regard to FUA related pre-accession aid distribution, only the figures for Bulgaria and Romania reveal relatively high spending levels in the MEGA regions. In all other countries spending levels rank within the two lowest spending categories in the regions containing the capital city.

Due to increased total allocations per country and a higher share of funds allocated on regional level, regional spending levels in the period 2001-2002 increased in comparison to the earlier period. Therefore, the number of regions receiving very low levels of pre-accession aid decreased and simultaneously, the highest regional spending levels have come much closer to the above mentioned absorption capacity.

Map 1-2: Annual Average Structural Fund (1995/95-99) and Pre-Accession Aid Spending (1998-2000) as Share of Regional GDP



Annual average Structural Fund (EU15 1994/95-99), PHARE, PHARE CBC and ISPA spending (New Member States, BG and RO 1998-2000) as a share of regional GDP in Euro (1999)
NUTS2: BG, CZ, HU, MT, PL, RO; all other countries NUTS3

Geograhical Base: Eurostat GISCO

Origin of data: National data collection, Eurostat-Regio

Source: Nordregio, IRS, ESPON database

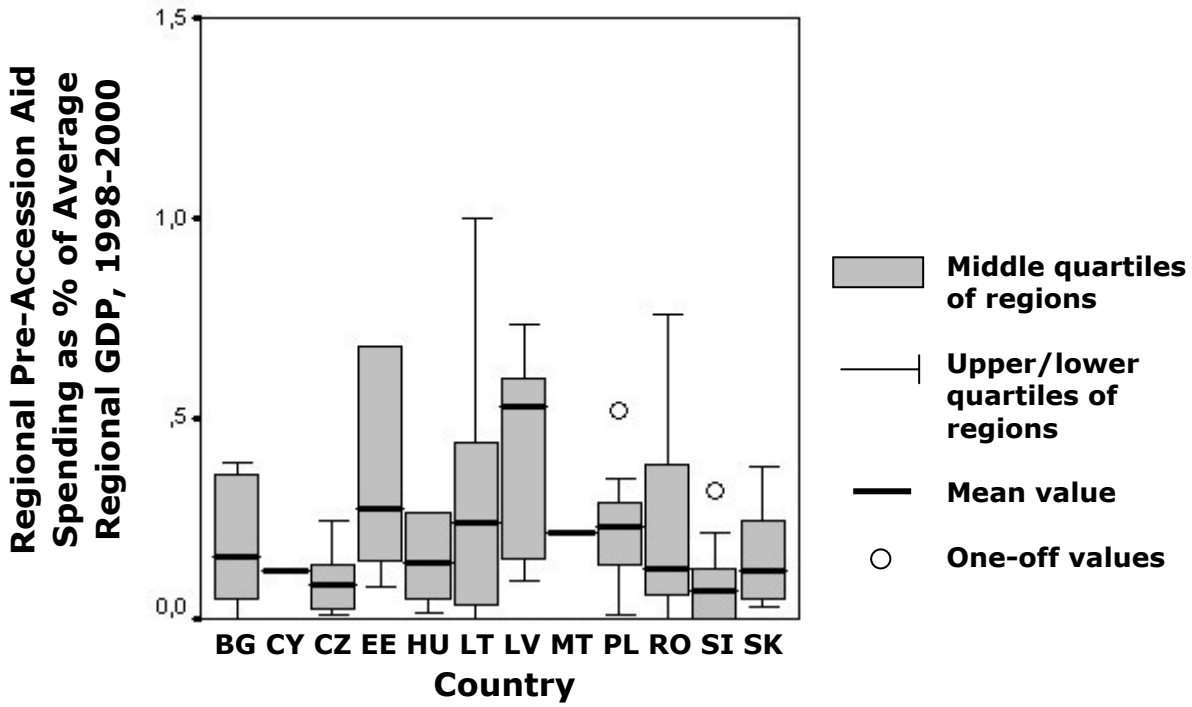
- > 1.2 %
- 0.6 – 1.2 %
- 0.4 – 0.6 %
- 0.3 – 0.4 %
- 0.2 – 0.3 %
- 0.1 – 0.2 %
- < 0.1 %

Nevertheless, in most regions pre-accession aid was still allocated at a quite low level throughout the whole period, as compared with SF allocations in many EU 15 regions, which by far not all belong to the cohesion countries. Furthermore, in the EU 15 similarly low relative intervention levels largely concentrate in regions within the European economic core area (Pentagon), what further emphasises the low pre-accession aid intervention level which certainly limits the extent of spatial impacts of pre-accession aid. In addition, it underlines the politically differing situation in, for instance,

cohesion and accession countries. Prior to EU accession, the latter did not receive comparable EU support for structural measures.

Below Figure 1-1 further stresses the relatively low level of regional pre-accession aid spending as compared to the SF (see respective figure in FR of ESPON project 2.2.1). Besides, it indicates, that while in some countries pre-accession aid allocation deviates significantly between regions, these deviations are much below of those induced by SF in a number of EU 15 countries. Also the mean level of regional pre-accession aid spending appears to be rather homogenous with the possible exception of Latvia.

Figure 1-1: Regional Pre-Accession Aid Spending in % of Average Regional GDP (1998-2000) – Means and Variation per Country*



* For Estonia one extreme value (above 2.5 %) was deleted from the figure.

Source: IRS calculation

1.3.2 Potentials Addressed by Pre-Accession Aid

Priorities of total pre-accession aid in terms of potentials addressed are given in Table 1-1 for the earlier analysis period. The three dominant priorities are measures addressing the geographical position, the environmental quality and the institutional capacity. In both periods, these three priorities account for about 80% of total spending. Due to the introduction of ISPA, the share of environmental projects increased lately, while institution building lost in relative importance. Furthermore, the implementation of SAPARD programmes implied roughly doubling shares of

the measures addressing the capital supply and regional market potential, which formerly used to show particular low shares of pre-accession aid activities.

Table 1-1: Percentage of Total Pre-Accession Aid Spending 1998-2000 Addressing Different Regional Potentials/Bottlenecks

	Capital supply	Environ-ment	Geo-graphic position	Inno-vation	Insti-tutions	Labour market	Regional market	Urban-isation/ Locali-sation
BG	4.3	14.3	46.4	0.4	30.0	3.0	1.2	0.3
CZ	7.6	29.6	24.2	1.1	21.9	3.4	12.2	0.0
CY*	3.5	6.6	1.9	0.0	69.3	0.0	18.7	0.0
EE	0.0	37.9	16.9	0.9	30.4	12.7	0.3	0.9
HU	0.9	19.1	29.1	0.0	40.4	5.1	0.8	4.6
LT	2.5	23.2	27.8	0.0	30.3	3.9	12.3	0.0
LV	3.5	31.0	24.2	0.0	26.3	3.4	4.5	7.2
MT*	0.0	0.0	4.5	0.0	80.7	14.8	0.0	0.0
PL	5.8	19.7	37.4	0.8	12.5	10.2	3.7	9.8
RO	1.9	20.4	30.4	0.0	38.6	3.3	0.0	5.4
SI	3.8	28.6	10.5	0.3	38.7	4.1	1.1	13.0
SK	12.7	23.5	20.8	0.0	31.9	3.9	5.4	1.9
Total	4.4	21.0	31.9	0.4	27.0	6.2	3.4	5.6

Source: IRS calculation

* Data for Malta and Cyprus refer to the years 2000-2002 but are subsumed for comparability reasons under the first observation period 1998-2000.

Also on regional level measures addressing the geographical position, i.e. infrastructure investments, dominated in many cases in quantitative terms, while soft measures addressing human and business resources play a minor role in most regions. In total, however, priorities vary strongly between regions and no clear pattern can be observed in terms of priorities of different countries or different types of regions. While there are regions, in which potentials seem to have been supported in such a way that development impulses could be expected, there are also many cases in which these measures are more likely to represent social transfers, which

can not be expected to provide for development stimulus. Even within one country often no straight policy approach can be observed.

1.3.3 Quantitative Effects and Impacts of Pre-Accession Aid

In order to quantify impacts of pre-accession aid, interventions have been related to the development of potential indicators. The respective analysis made clear, that for none of the potentials which could be included in the dynamic view of the analysis, straight forward results occurred. Instead, these views even stressed how the different potentials and characteristics of a region, whether quantitative or qualitative, together form the regional performance.

Correlation analysis showed a significant relation between the regional endowment with selected potentials and the regional performance in terms of GDP and employment dynamics. Besides, regression analyses indicated causal relations between the regional potential provision and socio-economic impact indictors, though impacts do not seem to be equally imminent on income growth and unemployment development.

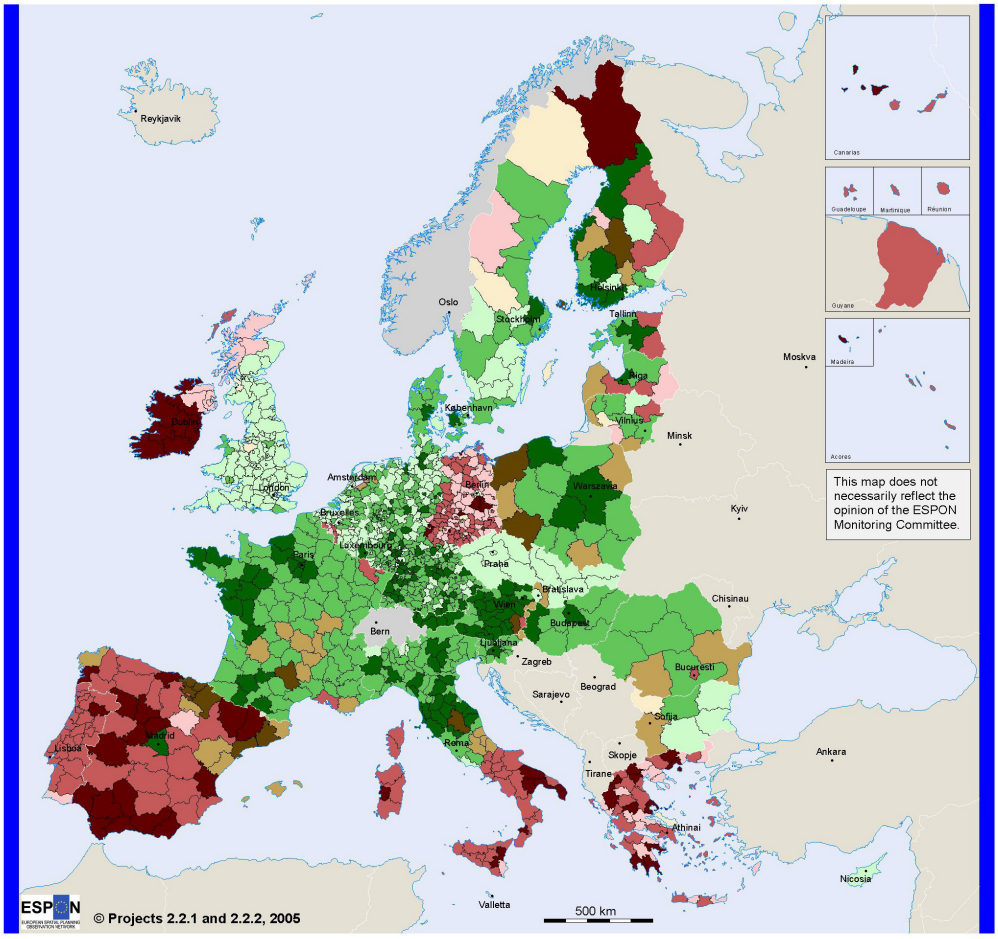
This is also mirrored in the varying relation between levels of relative pre-accession aid spending and change of GDP per capita as portrayed in Map 1-3. This map points out, that for instance in Poland, Hungary, Latvia and Slovenia above EU 15 average relative growth has occurred in the capital regions and in some cases their neighbouring regions, despite the low levels of regional pre-accession aid intervention in these regions. Few other regions in the new Member States, mostly Western border regions, and none in Bulgaria and Romania could achieve similar income growth rates, although income levels are relatively low in most of these countries as compared to EU average. Yet, the results suggest, even in relative terms, only average to below average EU 15 income growth in the remaining regions, whether they received high or low levels of pre-accession aid. These findings, furthermore, imply increasing divergence on European macro level.

Furthermore, below map also indicates, that in the EU 15 as well examples for regions with different combinations of intervention levels and GDP per capita growth intensities can be found. However, the pattern seems to be somewhat different and less 'capital region' focussed or concentrated on MEGAs as in the new Member States. Instead, spatial clusters of growth regions occur in different countries as well as spatial clusters of regions with below average growth.

Thus, the comparison of regional performance development with regional pre-accession aid spending revealed quite different relations for different countries. Although for some countries a positive relation between pre-

accession aid spending levels and GDP growth per region could be observed no causality between these observations can be assumed.

Map 1-3: Relative Average Annual Structural Fund (EU 15, 1994/95-99) and Pre-accession Aid Spending (New Member States, BG and RO, 1998-2000) in Relation to Change in GDP (PPS) per capita 1998 – 2000

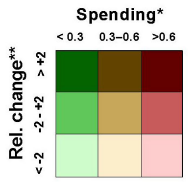


Annual average Structural Fund (EU15 1994/95-99), PHARE, PHARE CBC and ISPA spending (New Member States, BG and RO 1998-2000) as a share of regional GDP in Euro (1999) and relative change in GDP (PPS) per capita 1998-2000
NUTS2: BG, CZ, HU, MT, PL, RO; all other countries NUTS3

Geograhical Base: Eurostat GISCO

Origin of data: National data collection, Eurostat-Regio

Source: Nordregio, IRS, ESPON database



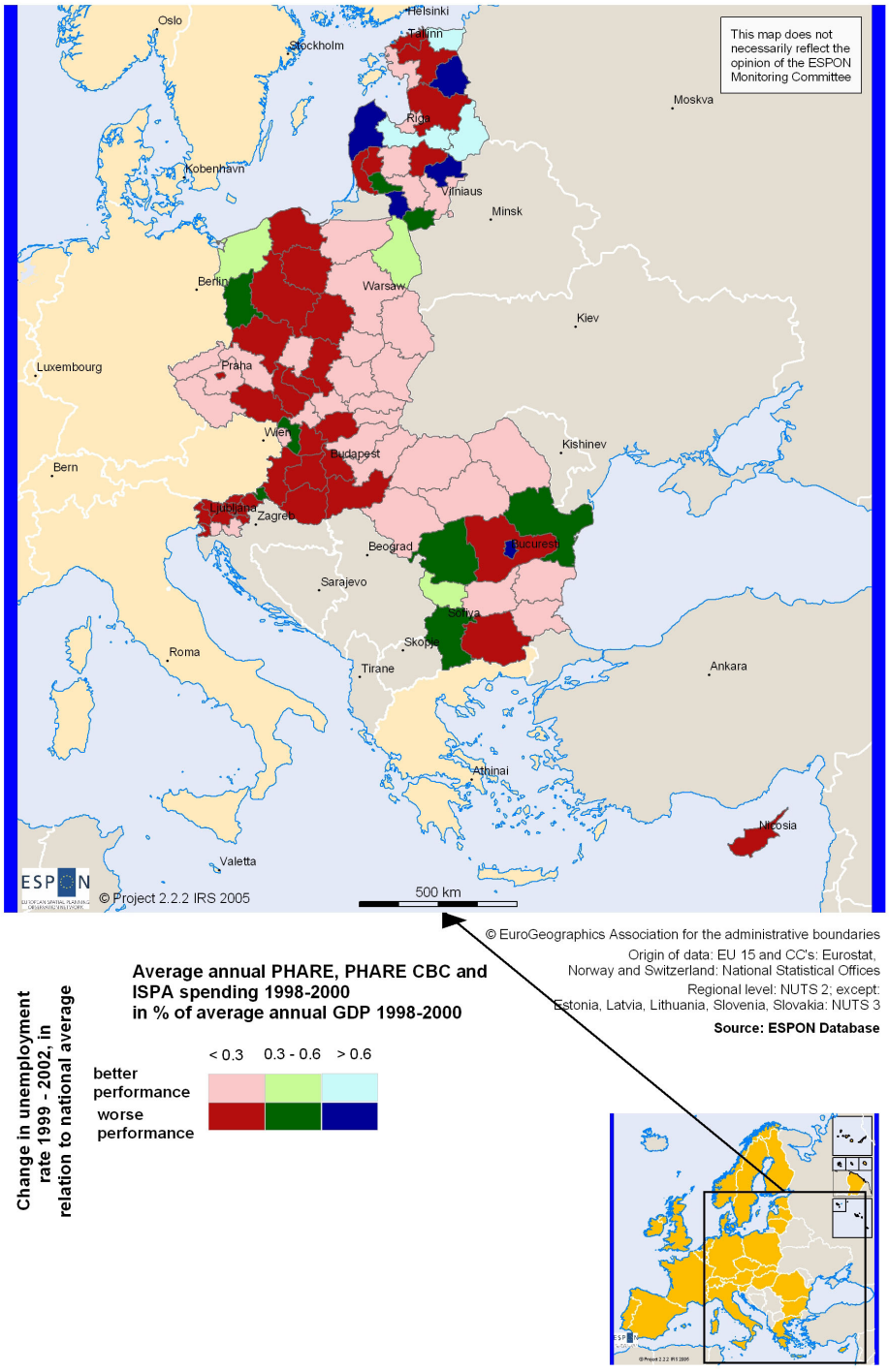
* Annual average Structural Fund (EU15 1994/95-99), PHARE, PHARE CBC and ISPA spending (New Member States, BG and RO 1998-2000) as a share of regional GDP in Euro (1999)

** Relative change in GDP (PPS) per capita 1998-2000, EU15=100, %units

Similar observations can also be made with regard to another impact indicator, i.e. the development of the unemployment rate. Also these respective typologies show varying outcomes on the different spatial levels for some of the regions. In a European comparison, the vast majority of regions in the new Member States and Candidate Countries shows a poorer performance than the EU average. Therefore, an intra national performance

classification is likely to reveal more convincing suppositions, which is displayed in Map 1-4.

Map 1-4: Average Annual Pre-accession Aid Spending in Percentage of Average Annual GDP in Relation to the Change of Average National Performance Measured in the Change of the Unemployment Rate to National Averages between 1999 and 2002



The performance patterns of several countries are of interest as they indicate regional accumulations of similar unemployment developments. For instance in Poland and Hungary basically the Eastern and in Romania the Northern regions, most of which can be characterised as rural Eastern peripheral regions, had unemployment developments which were more favourable than in the remainder of these countries. In contrast, some of the regions dominated by old industries in the central part of the CEECs, including some Western border regions, had less favourable unemployment developments. Thus, both favourable as well as disadvantageous unemployment developments occurred independently of the level of pre-accession aid allocation and in different types of regions.

Concluding it can be stated, that, while most regions with MEGAs had an above average performance with regard to GDP per capita developments, this is not the case to the same extent for unemployment developments. Furthermore, a comparison of both meso level typologies reveals, that both impact indicators by far do not evolve in similar directions in a large number of regions. Thus, cohesion objectives might be achieved in terms of one indicator while the other impact indicator indicates opposite developments. However, the problem of separation of the influence of pre-accession aid on these developments remains and limits a clear identification of spatial impacts.

Also with regard to programmes addressing the objective of spatial integration, it can be stated, that they reveal (limited) intended impacts, yet, they also contribute to other objectives, such as regional development. Within border regions, all in all, impacts on regional development and thus on spatial cohesion seem to prevail over impacts on spatial integration. Only a minority of cross-border projects addresses cooperative actions in the field of education, culture or business and often projects lack "mirror" projects on the other side of the border. Such limitations affect spatial integration achievements the more, the less permeable the respective border region, i.e. cross-border activities are mostly hampered along many regions of the outer borders of an enlarged EU 25 respectively EU 27.

Limitations of integration activities' spatial impacts are further apparent with regard to transnational measures. While, naturally the objective of transnational cooperation addresses spatial integration issues on macro level in the first place, many projects are of a rather regional character. In order to secure the transnational character of the programme and its impacts, strong programming structures are needed.

1.3.4 Review of Territorial Impact Assessment

In more qualitative terms, impact assessment results point towards the importance of overall regional framework conditions in terms of balanced potential endowment. Regional development has, thus, to be considered as a complex process driven by a system of interdependent potentials and influences from several spatial levels. Yet, as the overview on regional pre-accession aid spending showed, a balanced mixture of priorities was only achieved in few regions, while in many regions spending concentrated on one field of action. In particular, this applies to measures addressing human and business resources. It can be assumed, however, that especially effects of these "soft" measures are mutually interdependent.

This can be supplemented by findings emphasising the importance of regional institutional conditions. Case study analysis revealed that

- interventions addressing the institutional conditions themselves can be expected to have indirect effects on spatial developments in the long-term;
- poor institutional conditions might considerably hamper the extent to which pre-accession aid interventions can be implemented successfully;
- successful implementation of pre-accession aid projects can affect regional institutional conditions positively by strengthening institutional structures and capabilities.

Taking all these findings together, a number of issues arise, which appear to be equally important for appropriate structural policy implementation strategies. These issues – as displayed in below box – can be posed as questions, to be answered in the process of programme development or project selection.

Policy Options "Checklist"
Institutional Capacity: Are the institutional structures stable and sufficient? Can they efficiently support the programme's/project's implementation on the respective levels concerned? – If not, institution building measures need to be implemented first.
Territorial Development Objectives (in general): Which territorial objectives are relevant for the programme/project and how can they be made precise? Which of these shall be made explicit? According to which criteria shall impacts become visible?

In case of only implicit territorial objectives – What are likely spatial consequences of the programme/project?

Spatial Levels Addressed: Which spatial levels shall be addressed and is this realistic with the funds provided? Which funds are needed for appropriately addressing the chosen spatial level? Are there conflicts between objectives or consequences at different levels?

Identification of Needs on Relevant Spatial Levels: Which are the main potentials/bottlenecks on the spatial levels addressed? Are there bottlenecks which need to be tackled first as they otherwise impede successful implementation of measures aiming at other themes?

Thematic Scope of Interventions: Can territorial objectives be realised through the programme/project appropriately by means of separate thematic interventions or more integrated policy packages? Furthermore, do links, overlaps or contradictions exist between the planned programme/project and sector/national policies? (These questions imply a combined review of the last two foregone questions.)

1.4 Ex-Ante Analysis of Territorial Impacts of Structural Funds and Pre-Accession Aid

Despite ambiguous impacts of pre-accession aid on spatial development, high expectations are associated with the introduction of the SF in the enlarged EU. It is hoped that SF will help more strongly to bridge gaps in levels of national and regional development and promote spatial integration. For the new Member States, SF imply a substantial increase in funding levels for a wide range of policy actions, with links to various territorial development goals. However, the impact of the Funds will depend not only on the amount of money available but the development of a sound economic framework, a judicious choice of strategic priorities, the rate of financial absorption, which depends on administrative and institutional capacity and the quality of projects, effective project selection and implementation systems.[2] Experience of pre-accession aid programmes and the ex-ante analysis also suggest that a wide range of factors could constrain the contribution made by SF and pre-accession aid to balanced territorial development.

First, as highlighted above, evaluations of pre-accession aid suggest that the achievements of these programmes were sometimes below expectations, due to overly ambitious goals, problems in implementing specific types of programmes, frequent programme related changes, lack of coordination etc. Second, also problems with the quality of background analyses and the strategic objectives of future programmes could limit the impact of SF, by affecting the identification and prioritisation of development potentials and

[2] CEC (2004) Third Cohesion Report: A New Partnership for Cohesion CEC: Brussels , p.138.

bottlenecks. Finally, an effective implementation structure for the SF is crucial. In the new Member States, pre-accession aid substantially contributed to prepare suitable systems for the delivery and development of the programmes. However, weaknesses remain that could limit the effectiveness of the Funds.

Taking these considerations – also from preceding sections – together, it can be concluded, that future policy impacts will depend, on the one hand, on an adequate selection of measures taking account of regional specifics and, on the other hand, on the policy approach chosen and the extent to which measures are integrated and coordinated. Although these considerations can contribute to improved policy approaches and as a result increased spatial impacts, also in the future it will be difficult to identify specific impacts of EU structural policies. As the Third Cohesion report notes, "most of the effects of cohesion policy cannot be readily expressed in quantitative terms…its added value arises from other aspects, like the contribution made to regional development, by factors such as strategic planning, integrated development policies, partnership, evaluation and the exchange of experience, know-how and good practice between regions".[3]

Moreover, SF do not operate in isolation. The fact that SF operate alongside a wide range of other EU policies further complicates identification of their territorial impact. However, by complementing SF actions, other EU policies have the potential to enhance the overall impact of structural policy on territorial development. Yet, in order to prevent contradictory interventions and achieve greatest possible impacts clear priorities need to be set regarding the preferred spatial level of impacts and the spatial objectives pursued. Foremost, this depends on the politically set agenda of spatial policies which is currently under discussion with regard to SF reforms for the next programming period.

1.5 Territorial Effects of Applying the EU 'Acquis'

Pre-accession aids were also meant to support the application of the *acquis* in the new Member States and Candidate Countries. Beside the explicit issue of regional policy, many other elements of the *acquis* are in line with territorial and spatial development themes. The adoption of the *acquis*, therefore, has the potential to influence territorial development issues by addressing regional potentials and bottlenecks, e.g. through the promotion of integrated pan-European transport and telecommunications networks, the development of structures for the implementation of future Structural Funds and the introduction of a more unified industrial policy.

[3]CEC (2004) Third Cohesion Report: A New Partnership for Cohesion CEC: Brussels, p. 138.

Yet, further issues qualify possible spatial impacts. First, given the level of development disparities between the old and new Member States, changes to existing territorial development patterns can only be expected over the longer term. Second, it is important to recognise the limitations of EU policy actions, which is highly dependent on developments in the wider economic and political realms. Third, the territorial impact of the *acquis* and EU policies could be implicit, coincidental or even accidental, thus explicit links to territorial development goals are not necessarily clear. Fourth, the complexity of the policies and the scale of development disparities in the new Member States imply that the impact of the Community Policies on overall territorial balance and cohesion is unlikely to be perceptible in the near future.

However, it is also important to take account of the distinct national and regional contexts in which these developments take place. In light of national and regional variations, it is clear that the adoption of individual chapters of the *acquis* is more/less demanding for some countries than others. Countries with a significant number of heavy industrial regions, for example, will be more directly affected by requirements of environmental regulation, sustainable development rules and competition laws. Equally, experiences across regions will vary according to their specific situation and development potentials.

1.6 National Regional Policies in Relation to Pre-Accession Aid

Due to the role of the specific national context for the evolvement of spatial impacts, national regional policies are important for a complementing consideration of pre-accession aid interventions. In the countries under consideration these policies cover a wide variety of actions and are implemented for a range of reasons. All the analysed countries have some form of regional policy in place. For instance, Switzerland and Norway have a long tradition of supporting lagging regions. Also Cyprus and Malta have programmes promoting more balanced development. And in the CEECs, considerable progress has been made towards the development of modern, national regional policies, which is at least partly driven by the pressure exerted through the prospect of EU membership. Priorities of spatial objectives, kinds of policy instruments available and spatial targeting of regional policy vary strongly between these countries as is summarised in below table.

While many countries address more than one spatial objective, their formulation often remains on a rather unspecific level. For instance the spatial cohesion objective is included through the incorporation of objectives such as the reduction of regional disparities in employment and income or

the reduction of regional development level differences or the control of significant development differentials between the capital and the rest of the country. Furthermore, such equity related objectives are often expressed alongside efficiency oriented aims. Often this is an articulation of the apparent tensions between national prosperity and regional disparities in the CEECs.

Spatial targeting follows different area designation procedures in the different countries in order to either identify eligibility of regions or determine financial allocations. However, targeting is mostly related to cohesion objectives rather than efficiency related aims or even spatial integration goals. This is largely due to the emphasis of support *on* regions rather than of development *between* regions. Consequently, targeting does not fit with all territorial development objectives.

Table 1-2: Priorities of Regional Policy Objectives and Territorial Development Goals and Spatial Targeting in the new Member States, Bulgaria, Romania, Norway and Switzerland

	Regional Policy Objectives and Territorial Development Goals	**Spatial Targeting**
Spatial Cohesion (Equity)	Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia, Norway	Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia
Balanced Spatial Competition (Efficiency)	Bulgaria, Czech Republic, Estonia, Hungary, Lithuania, Poland, Slovenia, Switzerland, Norway	Bulgaria (growth districts), Hungary, Latvia
Spatial Integration	Bulgaria, Latvia, Romania, Switzerland, Poland	

Source: Own analysis

However, despite the achievements in the CEECs a number of persistent difficulties remain in this policy field, which are related to limited financial resources, the domination of EU guidelines over in the – in most countries only recently introduced – national regional policy debates and coordination lacks between the involved authorities. In addition, area designations for EU and national regional policy do not necessarily match, as they are mostly based on different territorial units.

1.7 Concluding Remarks and Policy Options

Above research allows to draw a number of general conclusions relevant for pre-accession aid and SF design and implementation but also to derive policy options for different types of regions addressing varying spatial levels.

1.7.1 General Recommendations for Pre-Accession Aid and Structural Funds

The analyses have stressed the limited explicit links between EU structural policies and spatial objectives. In order to address such objectives more clearly, SF regulations should stipulate how programmes are expected to address territorial development goals. For instance, the objective of territorial cohesion could become a mainstreamed element of SF programmes. At the same time the mostly rather globally formulated goals need specification and clarification to avoid varying or even conflicting definitions.

A particular strength of the SF and pre-accession aid is their capacity to draw together a wide range of policy actors and actions, which should be preserved. This does not only concern the wide scope of activities covered by these measures but also their broad spatial coverage. Nevertheless, this also bears the danger of unfocussed and then inefficient allocation of resources. Hence, policy makers should be aware of these pro and cons of the structural instruments.

Despite the achievements of building institutional capacity by means of pre-accession aid, still, institutional bottlenecks limited full optimal utilisation of pre-accession aid programmes and thus potential impacts on territorial developments. Accordingly, institution building should remain a focus for SF in the new Member States and especially for pre-accession aid in the Candidate Countries, not only on national but also on regional level. This will also help to increase absorption capacity of the new Member States and their regions.

For effective and efficient use of pre-accession aid and SF also regulations and management should not be overly cumbersome. However, in their current form, SF and pre-accession aid are frequently criticised for being overly complicated. Hence, simplification and streamlining of regulations could free up time and resources, which appears to be particularly important for weaker regions.

Analysis of the SF alongside other EU programmes also reveals a wide range of links between them. While these policies can be complementary, there is also potential for overlaps or even conflicts. This the more, as sector policies often reveal strong territorial dimensions. To overcome such controversial

interventions, improved mechanisms for exchange and coordination between policies are necessary.

Research revealed that one-sided interventions or interventions not adapted to the regional situation hardly reveal impacts on territorial developments. Therefore, for each region or type of region a coordinated strategy of interventions needs to be developed, which simultaneously addresses the main regional bottlenecks respectively potentials. However, to arrive at such intervention strategies, it is necessary to conduct in depth analysis on the lowest possible and reasonable territorial level.

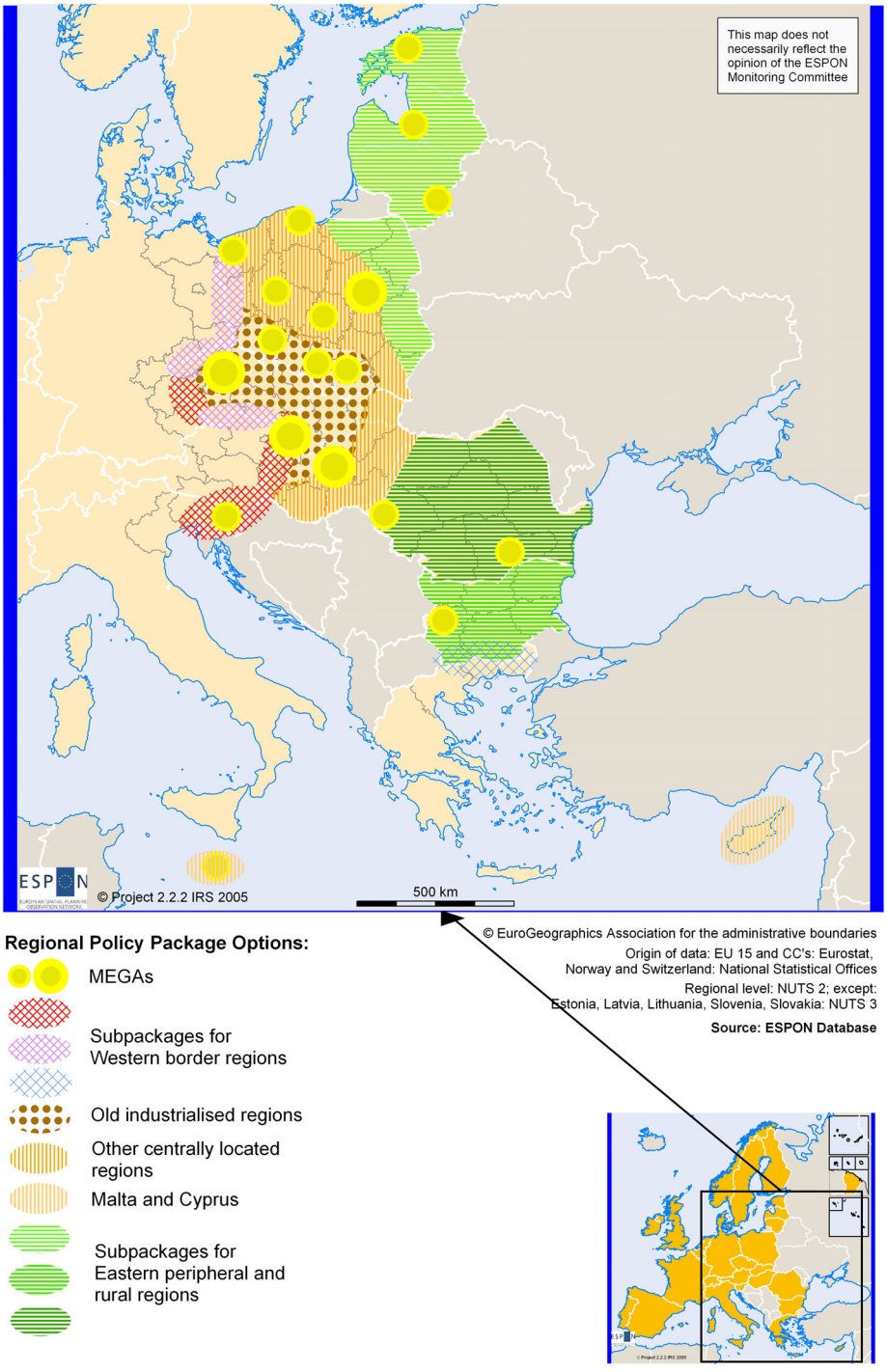
1.7.2 Towards Region Specific Policy Options

Below Map 1-5 has been developed on basis of the findings of different analytical steps and symbolizes an enhanced typology as compared to the tentative policy package map in the TIR. The map differentiates between ten types of regions. Generally, delimitation of region types in this typology deliberately does not go along administrative borders, but allows for smoother shifts between policy options. This the more, as also the different packages can overlap somewhat, allowing for more flexibility, especially in regions, where more than one policy package intersect.

Below box indicates broad strategies for each type of region, which can be described as policy packages representing priority types of action. With more specific differentiation of sub-types, which reveal differences in the development levels, as e.g. for the Western border regions, these packages can be even more specified. Yet, such further differentiation may also reveal slightly different foci for one or another region than for most parts of the region type. Hence, the outlined policy packages should be understood as indications for coherent priorities of policy options rather than being inflexible sets of recommended measures. Furthermore, the packages for the different types of regions are not equally relevant for each spatial level and spatial objective but need further differentiation in this context. Here it is important to acknowledge the likeliness of conflicting objectives and forces at different spatial levels. Therefore, a suitable policy mix, which is politically acceptable, needs to take account of these forces and also needs to set priorities not only with regard to the objectives and a primary focus on one or another spatial level, but also concerning responsibilities at the different spatial levels. Besides, corresponding to the research focus of ESPON project 2.2.2, these proposed packages take account of the regional potentials respectively bottlenecks hampering regional development.

Map 1-5 envisages separate policy packages or options for the agglomerations of the CEECs, in particular those, which have been characterised as *MEGA*s by ESPON project 1.1.1.

Map 1-5: Summary of Policy Package Options* for Different Types of Regions



* For the contents of policy package options see below box

Policy Package Option for MEGAs

- Infrastructure linkages at different levels (geographic position)
- innovation
- sector and business structure (localisation & urbanisation)

Policy Package Option for Western Border Regions

- human resources (labour market)
- innovation
- cross-border integration

Policy Package Option for Regions Dominated by Old Industries

- business restructuring (urbanisation & localisation)
- human resources (labour market)
- infrastructure modernisation (geographic position)
- environment

Policy Package Option for Other Centrally Located Regions

- sector restructuring (urbanisation & localisation)
- human resources (labour market)
- infrastructure linkages at micro level (geographic position)

Policy Package Option for Malta and Cyprus (island economies)

- human resources (labour market)
- economic diversification (urbanisation & localisation)
- environment
- transnational integration

Policy Package Option for Eastern Peripheral and Rural Regions

- economic diversification on basis of local SMEs (urbanisation & localisation)
- institution building
- human resources (labour market)

To take account of the different roles and qualitative information of the four types of regions in the middle category of clusters, these have been further

and in a more stylised way distinguished in altogether six groups. Thus, with regard to the CEECs' *Western border regions* a stronger differentiation is proposed as compared to the tentative typology of the TIR. While this proposition still takes account of the specific role, these regions' can be attributed to in the context of European integration, it also comprises the varying potential endowment along the former EU 15 border.

Despite somewhat differing potential endowments of the regions belonging to the *old industrialised area* in the new Member States, they are suggested to be comprised under one type, since they largely face comparable problems with regard to sector restructuring and environmental difficulties. Which other themes should be of priority for interventions is more region specific and could be further elaborated in sub-types of regions dominated by old industries.

The remaining regions of the middle cluster category are then further distinguished between *other centrally located regions* and *Malta and Cyprus*. This differentiation takes account of the very specific geographic situation of the island economies, which asks for specific policy packages which certainly differ from those in the largely agriculturally dominated regions in the heart of the CEECs.

The remaining three sub packages for *Eastern peripheral and rural regions* are largely consistent with the delimitations in the cluster analysis. This can mainly be attributed to these regions' relatively low potential endowment and very peripheral characteristics.

In the remainder of this chapter, the differentiation of policy packages for different spatial levels is discussed at the example of the policy options developed for the MEGAs[4], which is summarised in a comparative way in the following table. This concentration is due to the fact, that the MEGAs appear to be relevant on all spatial scales under consideration, while many other types of region can predominantly contribute to spatial objectives at meso and in particular at micro level.

[4] The policy package options for the other types of regions are discussed in detail for the different relevant spatial levels in chapter 11.

Table 1-3: Policy Package Options for MEGAs at Different Spatial Levels in Comparison

	Policy Package Options for MEGAs		
	Macro Level	**Meso Level**	**Micro Level**
Spatial Coverage	MEGAs	MEGAs and 2nd tier agglomerations	MEGAs and surrounding region
Proposed Types of Interven-tions	Transnational infrastructure networks; 'high road' economic restructuring; support for international R&D and innovation	Strengthening of national counterbalances through promotion of linkages between MEGAs and 2nd tier agglomerations	Transport and communication infrastructure linkages; sector restructuring and diversification in region surrounding MEGA (SME support)
Expected Spatial Impacts	*Intended*: European catch-up process in terms of convergence and competitiveness; *Unintended side-effects*: increasing disparities at lower spatial levels	*Intended*: Specialisation contributing to competitiveness in polycentric manner; *Unintended*: no significant catch-up effect on European scale	*Intended*: Reduction of regional / local disparities – micro level convergence; *Unintended*: no catch-up effect on European scale

1.7.2.1 Macro Level

In the new Member States and Candidate Countries, the MEGAs can be expected to be of major importance for achieving convergence and competitiveness on macro level, since they appear to be the most dynamic regions in these countries. Yet, these MEGAs need to be strengthened for European competition in terms of different aspects. Above policy package options indicate priorities for infrastructure, innovation and sector and business structure related policy measures for MEGAs. Without such preference, not only these MEGAs but basically all regions in new Member States and Candidate Countries are likely to fall back in view of the Lisbon strategy.

To compete in international innovation and fostering polycentricity, macro level accessibility – in terms of transport but also telecommunication infrastructure – of these agglomerations needs to be enhanced as envisaged in the frame of Trans European Networks. Furthermore, if international

competitiveness and innovation capacity in the MEGAs is aimed at, this could be supported by measures for 'high road' economic restructuring. Moreover, support for international R&D or innovation related networking are anticipated to promote spatial integration as well. However, isolated catch-up processes of MEGAs to EU 15 standards bear the danger of strengthening monocentric structures in the majority of these countries, therefore working against balanced spatial competition and convergence at meso level.

1.7.2.2 Meso Level

While MEGAs have been emphasised as the most important regions in the light of the Lisbon Strategy on macro level, from meso level perspective second tier agglomerations have to be regarded as well. To foster balanced spatial competition on meso level and to prevent agglomeration disadvantages to develop in the MEGAs, national counterbalances need to be strengthened. The function of urban agglomerations as engines of competitiveness and innovation has to be fostered in agglomerations of national rather than international importance as well. Therefore, in many cases, existing strong potentials have to be utilised by reducing the most severe bottlenecks in these regions if meso level competitiveness and convergence are of high priority.

With such a policy focus, moreover, linkages – i.e. transport and communication infrastructure – between the respective national MEGAs and the second tier agglomerations and transnational linkages between agglomerations of similar positions have to be established and strengthened to encourage development of competitive patterns of specialisation adapted to national contexts and regional initial potentials. Yet, besides these linkages policy interventions in MEGAs are not assumed to reveal significant impacts on meso level.

1.7.2.3 Micro Level

For achieving spatially balanced competitiveness and convergence at micro level, the MEGAs need to be more strongly linked with their hinterland. Such measures thus aim at preventing negative agglomeration effects and negative impacts resulting from sharp disparities within regions enclosing one or another MEGA. Linkages in terms of transport and communication infrastructure but also in terms of sector and business structure should be fostered to enable positive spread effects of urbanisation and localisation advantages. The latter, however, can only be presumed to reveal positive effects for large parts of the respective regions, if sector restructuring and diversification is undertaken with reference to the whole region's specific potentials and bottlenecks. Furthermore, such restructuring also needs to

take place in the MEGA's hinterland and remaining part of the region rather than only within the MEGA.

2 Scientific Summary

The spatial outline in the contract for ESPON project 2.2.2. asks for an analysis not only of the new Member States and Candidate Countries but the EU 27+2, explicitly including Norway and Switzerland. However, a territorial impact assessment of pre-accession aid can only be approached for the countries which have received such funds, i.e. the new Member States and Candidate Countries.

Within this given frame it can be stated, that all requirements mentioned in the Addendum for the Final Report have been recognised:

- Within Part 1 the executive summary has been enclosed – it covers the main results of the research undertaken and summarised policy recommendation and option development;
- Presentation of spatial impacts and the application of the EU 'acquis', Community policies and pre-accession funds is undertaken in different chapters of this Final Report's main part (Part 2) – the analysis on pre-accession aid is in the centre of the report and dealt with in chapter 6; the application of the 'acquis' has been separately analysed, which is presented in chapter 9; the analysis of Community policies has been part of the ex-ante assessment discussed in chapter 8;
- Formal issues such as methodologies, developed databases, indicators etc. are mostly enclosed in the Annex (Part 3) with the exception of a methodological overview, which can be found at the end of the main part;
- Discussion of institutional settings for better coordination of territorially relevant policies is included in several aspects in the main part of the report – in particular these issues were dealt with in the context of different kinds of case studies but also on a more general level, that is why they come up in different contexts;
- Development of models of regional programmes for different types of regions has been largely understood in the context of policy recommendation and option development, which is discussed in chapter 11 of Part 2; however, the basis for these policy options is given by different research steps, including in particular potential oriented clustering and ex-ante analysis.

This summary only very shortly refers to the different methodologies utilised in preparation of this Final Report, since a much more detailed account is given in chapter 12 in the second part of this report.

2.1 Quantitative Impact Assessment

By means of several steps, regional potential provision, change of economic performance and pre-accession aid allocation have been related to each other, keeping in mind the measure of impacts in reference to the spatial objectives under consideration. Apart from improvements of descriptive static steps, also the changes of indicators – potential and performance – have been included. As far as possible, the different steps have been conducted for both absolute and relative figures and changes, thus allowing to differentiate between different extents of cohesion etc. The quantitative impact assessment also included the development of typologies relating the policies under consideration to regional economic performance and change of economic performance. It concludes with correlation and regression analyses.

2.2 Qualitative Impact Assessment

Apart from literature and evaluation reports' review, qualitative impact assessment was strongly based on the realisation of case studies, for both general territorial impact assessment and the spatial integration objective. To enable comparative analysis, a common approach was used for the case studies within each of the case study groups based on a template, which defined the main research questions and gave guidance concerning the detailed case study outline.

For the general territorial impact assessment the following overall research questions have been formulated leading the analysis:

- How could the situation and development path of the region be characterised with respect to regional potentials/bottlenecks?
- Which priorities were set by pre-accession aid projects?
- Were pre-accession aid projects directed to meet the regionally specific situation of potentials/bottlenecks?
- Did pre-accession aid projects affect regional potentials / bottlenecks, and if yes how?
- Did pre-accession aid projects contribute to territorial development objectives (equity, efficiency), and if yes how?
- Were pre-accession aid projects embedded in regional development structures (national strategies)?
- Were pre-accession aid projects embedded in regional institutional structures? Did they affect regional governance?

Correspondingly, the case studies focusing on spatial integration achievements covered the following questions:

- What kind of effects (direct / indirect) on developments in the specific fields can be found?
- To which extent net working procedures were successful and contributed to more permanent co –operation structures? Did the respective policies also lead to informal and private co-operation? Are these projects sustainable?
- To what extent do the specific effects also affect broader spatial development objectives?
- Which improvements of intervention and their effectiveness can be expected from future application of INTERREG etc.?

In either case, the comparative analysis of case study findings focused on common conclusions in terms of policy assessment with regard to regional potentials and bottlenecks and with regard to the respective territorial objectives. On basis of these issues development for proposed policy recommendations has taken place.

2.3 Ex-ante Analysis

As key component a meta-analysis of ex-ante evaluations of the National Development Plans of the new Member States has been conducted. The assessment undertaken in the course of the ex-ante analysis built upon the work of previous work packages and accompanying literature and policy reviews. It also involved an innovative meta-evaluation of ex-ante evaluation reports of national programming documents. A matrix was developed in order to enable a systematic cross-country comparison.

Apart from giving general comments on the available evaluation material, this matrix summarises the main positive and negative aspects of policy programming and objective setting differentiating between a number of issues. This working step provided a comprehensive ex-ante analysis for Structural Funds in the new Member States also tackling critical issues, such as the absorption capacity. Furthermore, it also provided this evaluation for the remaining Candidate Countries not facing Structural Funds in the next programming period, which supplies valuable information for their further preparation of EU membership.

This analysis has been further enhanced with the development of research based assumed comparative intervention alternatives, which state the likely direction and intensities of impacts on different spatial objectives at different spatial levels and for different types of regions.

2.4 Relating EU Funds and National Policies Aiming at Territorial Objectives

As policies with an explicit spatial focus, the analysis of national regional policy was carried out in more in-depth. The analysis required the close examination of a wide range of policy documentation. Particular attention had to be given to data and document availability. In many of the CEECs, recent policy, territorial and governmental reform made data collection particularly challenging, especially in the cases of Romania and Bulgaria. In order to ensure an efficient, standardised approach, checklists were produced and sent to individual country experts. In developing the checklists, the results of an extensive literature review were used. Each of the checklists followed a standard model and aimed to

- give country experts an indication of the type of information EPRC already had;
- identify where more information is required and;
- provide suggestions of where relevant material could be obtained.

The checklists and subsequent cross-country analyses aimed to gain insights into the full range of ways in which national regional policy could complement or conflict with the wider policy frameworks under review. By considering each of the key elements in turn, it was possible to gain a better understanding of how, for instance, policy implementation and policy objectives, as well as policy instruments, could relate to EU development frameworks.

3 ESPON 2.2.2 within the ESPON Network

ESPON project 2.2.2 took part in all coordination meetings organized by the ESPON CU, i.e. ESPON Seminars and Lead Partner meetings held during the project's term, with participation of at least one member of the Lead Partner institute, in many cases also additional members of the project group. Thus, progress of the project was continuously presented to the ESPON network; discussions and exchange of information taking place during these meetings were of high added value for the project's work. Beside these meetings intensive discussions were held with members of the ESPON CU whenever needed.

As described in previous interim reports, also respective networking with other ESPON projects has been deepened over time. Emphasis has been put on networking with ESPON project 2.2.1 in order to achieve comparable research results for the spaces of EU 15 and the new Member States and Candidate Countries. This networking has led to common typologies regarding the level of EU spending for regional policy, i.e. Structural Funds in EU 15 and pre-accession aid in the new Member States and Candidate Countries. Besides, networking with the early coordination project 3.1 has deepened as well, ensuring results of ESPON project 2.2.2 to fit into the whole concept of the ESPON programme. Networking activities also included a number of other ESPON projects, though to less intense extent than the above mentioned projects.

Although, ESPON project 2.2.2 thus made considerable efforts in actively participating in the ESPON network some critical comments were highlighted by the TPG during a self-evaluation conducted in March 2004[5]. In this regard organisational gaps and weaknesses related to the coordination with other ESPON projects and financial aspects were mentioned. The latter refers basically to two general problems. The financial management has been claimed as being pretty complex leading to considerable payment delays and some, if not all, partners suffered exceeding time and staff budgets from the project. Some partners showed the willingness to add in additional working hours from other sources to ensure high quality output, however, this can not be taken for granted and certainly does not support sustainable ESPON results.

Some partners stated they would feel better incorporated in the ESPON process if they had more possibilities for meetings / discussions with other TPGs. Due to very limited budgets, some partners could not afford to come to ESPON seminars though. Consequently, they felt less informed than the

[5] Detailed results of the self-evaluation are provided in the SIR of ESPON 2.2.2.

partners more closely involved in the whole ESPON process. But these problems are also regarded as being due to differences in methodological approaches between projects and especially as of the different timing between the projects. All these issues hampered the achievement of comparative results across different projects.

4 Further Research Issues and Data Gaps

4.1 Further Research Issues

Generally speaking, ESPON project 2.2.2 could realise the envisaged working steps, thus delivering in the Final Report the corresponding results expected in the Addendum. Nevertheless, during the project's research some issues occurred that would be worth further respectively deeper research.

First, TIA in the new Member States and Candidate Countries could be continued for the periods ESPON 2.2.2 was not able to cover. This refers on the one side to the update of policy data which was in most cases only collected for the years until 2002 and on the other side to continuation of impact assessment which has been related to the period 1998-2000 only, due to the likely time lag of intervention effects.

Second and related, the adoption of Structural Funds in the new Member States would be worth studying. Experiences gathered with pre-accession aid and analysed within ESPON project 2.2.2 would provide a good basis for further research in this respect.

Third, with regard to impacts of transnational and cross-border cooperation it has not been within the scope of ESPON project 2.2.2 to gather data on transnational and cross-border flows, e.g. regional trade balances or traffic flows, which would allow to assess the degree of existing spatial integration between regions on different spatial scales. Due to the complexity of this issue and high efforts related to data collection an own project could be dedicated to this research topic.

Fourth, research of ESPON project 2.2.2 continuously highlighted the special development challenges new Member States and Candidate Countries are facing. Consequently, future development prospects of the new Member States and Candidate Countries – between knowledge economy and manufacturing specialisation – should deserve further research.

Finally, on a more general level a still existing research gap frequently identified is a further development and concretisation of the ESDP with regard to horizontal aspects (different kinds of regions) as well as vertical aspects (conflicts with national / regional / local planning systems)

4.2 Inherent Data Gaps Limiting Territorial Impact Assessment

Analysis conducted by ESPON project 2.2.2. requires two groups of data: 1. data on indicators measuring regional potentials, e.g. GDP, population density or sector structure, which is provided by the ESPON database, 2. data on policy spending within the pre-accession aid programmes, which is

gathered and developed by ESPON project 2.2.2. Data gaps and weaknesses apply to both groups of indicators and are highlighted in the following section.

4.2.1 Data Gaps Related to Potential Indicators

In order to analyse regional development and bottlenecks in the new Member States and Candidate Countries ESPON project 2.2.2 requires several indicators to be provided by the ESPON database. Although indicators envisaged for quantitative analysis have already been strongly revised according to data availability, several indicators are not available at all and the available data shows some significant weaknesses. An overview on potential indicators used and those not available is provided in the respective table 19-2 in the Annex. Following, weaknesses of available data are discussed.

Data provided by the ESPON database as well as up-dates directly received from the EUROSTAT web page do still not cover the complete ESPON space, but single values are missing for some of the regions/countries. Data gaps are especially significant for Malta and Bulgaria but also for other countries or regions not all indicators are available in complete time series. This hampers analysis of regional development trends in terms of changes of potential indicators. In addition comparability over time is limited, since for some indicators different data bases and modes of data calculation have been used within different years. This especially applies to the latest data updates provided by ESPON project 3.1 in July 2004 and more recent data from EUROSTAT. For many indicators considerable inconsistencies between data provided in the ESPON database version 2.4 and the latest EUROSTAT updates can be detected. Moreover some indicators are only provided on NUTS 2 level, whereas comprehensive policy impact analysis especially in the smaller countries requires more detailed analysis on NUTS 3 level.

4.2.2 Gaps Related to Policy Data

As contribution to the ESPON database and prerequisite for policy impact analysis ESPON project 2.2.2 established country wise databases on policy input data including information on pre-accession aid programmes and projects in terms of amount allocated, year of allocation, region of implementation, field of action, project's content etc. Preliminary analysis of these databases were already used in the 2nd and 3rd Interim Report of ESPON project 2.2.2. Towards the Final Report the databases have been further improved especially with regard to SAPARD data for all countries. Moreover databases have been cross-checked to improve comparability of data. Nevertheless considerable gaps remain with regard to availability of

data as well as correct recording of data that limit reliability and significance of data. A detailed overview on data per country included in the database with regard to data definition, source and main problems is provided in the respective table 19-1 in the Annex. Following, the main general problems will be discussed.

Data available from the respective national or EU authorities does in several respects not meet the requirements of the analysis conducted by ESPON project 2.2.2. Data weaknesses are related to lacking information on the period of implementation, on the financial amount, on the location of implementation and on the projects content.

For many programmes/projects no detailed information on the period of implementation is provided but only the year of approval. Due to this weakness the year of approval has been used as year of financial allocation as far as possible (also if other information was available) to achieve comparability of country wise data. The implementation of projects or programmes, however, often starts with some time lag after approval and often projects run over several years. Accordingly the year of approval does not reflect the period in which pre-accession aid actually affected regions or countries but rather indicates policy schemes for a rough time period.

Similar reservations hold for information provided on financial amounts of projects/programmes. Due to largely missing information on the amounts disbursed, the amount allocated was used as far as possible. This again ensures comparability between countries, but does not reflect the actual situation, since the amount allocated often has only been partly actually spend.

Significant problems were related to the regionalisation of data, i.e. the relation of programmes/projects to NUTS 2 or NUTS 3 level regions. Some of the programmes or projects exclusively address the national level, e.g. institution building measures within PHARE and thus obviously can not be assessed with regard to their impact on selected regions. Problems however, occur with regard to projects/programmes which likely are implemented in selected regions but where information on the location is incomplete. This is often the case where only programme information is given and not detailed information on projects, e.g. projects within the PHARE ESC programmes likely are implemented in selected regions, but since often no information was provided on the locations, the programmes had to be assigned to NUTS 0 level. Moreover correct recording of the region affected is difficult in case of projects/programmes affecting more than one region. To meet this difficulty a common recording method was used: in case a project/programme was implemented in two or three regions the financial

amount was split equally amongst the regions. In case more than three regions were affected, the project/programme was attributed to the next higher spatial level (NUTS2 or NUTS 0). All in all these problems indicate that the amount recorded on regional level remains below the amount actually spent within selected regions and that distribution between regions might be distorted. In addition a general problem is related to the NUTS classification. In many countries NUTS classification is in place only since a few years, e.g. in Poland since 1998 and in the Czech Republic since 2000 (NUTS 2) respectively 2001 (NUTS 3), what leads to assume that data provided on regional basis for earlier years is not in any case reliable and correct. All these mentioned problems become the more significant the lower the regional level. Therefore, the project's analyses used data on NUTS 2 level for the larger countries (BG, CZ, HU, PL, RO), where NUTS 3 level data was assessed to be too incomplete. Also for Malta and Cyprus data has been only available on NUTS 2 level. For the smaller countries (EE, LT, LV, SI, SK) which only comprise one NUTS 2 region, NUTS 3 level data has been applied in order to achieve differentiated results within the countries. Generally, in these countries data on NUTS 3 level was more easily available than in the larger countries.

The main analytical tool used to enable further analysis of policy data is to classify projects/programmes according to the regional potential/bottleneck they mostly address. In order to develop a homogeneous classification a matrix has been developed linking fields of action within all the pre-accession aid programmes to regional potentials they mostly address (see 2nd Interim Report of ESPON project 2.2.2[6]). Although this approach ensured relative coherent recording of data, weaknesses remain. First, often programmes/projects address more than one potential, but due to data processing reasons only one potential could be incorporated. Moreover, the information given on the projects contents is often too vague to enable clear decision on which potential is mostly affected. Scope for cross-checking of data in this regard is especially limited, since country databases only contain short descriptions/titles of projects/programmes what hampers controlling of data recorded by the ESPON 2.2.2 project's country experts. Due to the high number of projects/programmes extended reporting of the projects/programmes contents could not be realised within resources available for ESPON project 2.2.2.

Availability and quality of data differs between the pre-accession aid programmes. For PHARE and PHARE CBC for many countries no other data than information on sub-programmes was available. Since information on

[6] Source 2nd IR, p.131f.

these sub-programmes are often not detailed with regard to contents, location and period of implementation, and only indicative figures on financial allocations are provided, detailed recording in terms of correct selection of regions affected and potentials addressed is limited. Even if project data is available, these data often seems not to be reliable especially in the larger countries where PHARE programmes started early in the 1990s due to a large number of projects and incorrect collection of data in the early years of PHARE implementation. PHARE CBC programmes though not providing detailed information either could at least be located within the respective border regions. Data on ISPA for all countries gives detailed information on projects in terms of location and fields of action, thus, regionalisation and classification of projects according to potentials addressed could be compiled without major problems. Since for nearly all countries ISPA data was gathered from the DG Regio's Mini ISPA Report 2000-2002 high level of data comparability has been achieved. Data is provided for projects signed, but only an indicative amount of financial allocation is given. Despite these weaknesses of data for PHARE, PHARE CBC and ISPA country databases for these programmes are completed, since further investigations towards improvement of data is not within the scope of ESPON project 2.2.2. Data on SAPARD could be completed for all countries since the 3rd IR, but time periods and data definitions provided vary between the countries. However, data is mostly available on regional level and, due to clearly defined fields of action within SAPARD, classification according to potentials addressed could be conducted reliably.

ESPON
EUROPEAN SPATIAL PLANNING OBSERVATION NETWORK

ESPON 2.2.2
Pre-Accession Aid Impact Analysis

Final Report

Part 2: Main Part

Co-financed by the European Community through the Interreg III ESPON Programme

ESPON 2.2.2
Pre-Accession Aid Impact Analysis

Final Report – Main Part

This report represents the final results of a research project conducted within the framework of the ESPON 2000-2006 programme, partly financed by the ERDF through the Interreg III ESPON 2006 programme.

The Member States of the EU 25, plus Norway and Switzerland, and the EU Commission are carrying through the ESPON programme. Each country and the Commission are represented in the ESPON Monitoring Committee.

This report does not necessarily reflect the opinion of the members of the Monitoring Committee.

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Foreword

This is the main part of the draft Final Report of the ESPON project 2.2.2 „Pre-Accession Aid Impact Analysis" delivered in August 2005[1].

The Final Report comprises the following parts:

Part 1: Summary

Part 2: Main Part

Part 3: Annex

[1] The draft Final Report was delivered 31st March 2005.

The Final Report of ESPON Project 2.2.2 is a team effort of all project partners given in alphabetic order below under leadership of IRS.

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5 Potential Analysis as Basis for TIA

The general conception behind TIA is driven by the theoretically grounded insight, that regions benefiting from EU funds are struggling with specific regional *bottlenecks*, which can not be expected to be resolved by market forces in an appropriate way within a justifiable time. It further assumes, that while some regions are lagging behind other regions possess *development potentials* and growth potentials, which may not be mobilised by market forces in a sufficient way either. This approach considers, that there are restrictions to use regional potentials and to reduce bottlenecks, which could impede the ability of a region to participate in processes of innovation and structural change. Thus, TIA in ESPON 2.2.2 is twofold:

- On the one hand, it has analysed and assessed the policy results and impacts in relation to global territorial objectives set by the EU;
- And on the other hand, it has simultaneously analysed and assessed policy results and effects in relation to their ability to contribute to regional problem solving, i.e. addressing regional challenges/problems and mobilising regional potentials for development.

This chapter not only summarises the results gained in the potential analysis of ESPON project 2.2.2 and stresses the latest related results but also serves as introduction to the main part of this project's final report. Since the impact assessment of pre-accession aid has been strongly related to the concept of potential analysis from the very beginning of the project, this concept shall be shortly summarised in the following before turning to the various steps of the analysis itself. Correspondingly, this chapter points out the most important findings with regard to the potential analysis and the related potential oriented cluster analysis of the regions in the new Member States and Candidate Countries[2]. All further analytical steps are then discussed in separate chapters, beginning with the core of the analysis in ESPON project 2.2.2, i.e. ex-post territorial impact assessment of pre-accession aid and PHARE and then moving to the future oriented ex-ante assessment as well as to 'side' analyses of pre-accession aid. In these chapters additional insights are gained, for instance, concerning the relation between pre-accession aid and national regional policies. These different analytical parts then contribute to different extents to the development of the following policy options.

[2] Throughout the whole report the term 'Candidate Countries' refers to Bulgaria and Romania only rather than other countries still applying for EU membership, since this report concentrates on the ESPON space and in particular on the countries who have received or are still receiving pre-accession aid.

5.1 The Concept of Potential Analysis

The utilisation of the potential analysis concept allows to assess spatial effects as far as measurable potential indicators are affected by this kind of interventions and therefore indirectly provides information on spatial impacts of pre-accession aid, which are otherwise difficult to identify as below chapters will stress.[3] Below Figure 5-1 stresses the relation between the analysis of regional potentials and bottlenecks and the territorial impact assessment in ESPON project 2.2.2. Based on the factors describing bottlenecks, potentials and policy inputs an uncomplicated model with regard to the interrelations between these three influences has been outlined. These influences concern

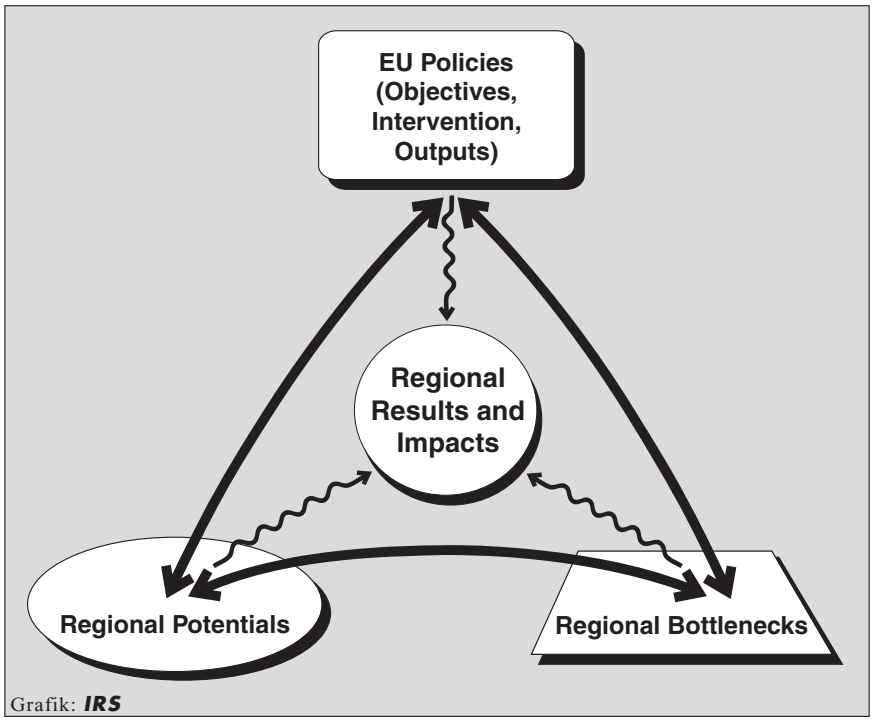
- potentials describing the situation before intervention as well as trends observed;
- bottlenecks describing lacks of potentials;
- policy inputs and outputs referring to the strategy of intervention

and their effects on the outcome of territorial impacts, referring to the realisation of policy objectives as well as widening regional bottlenecks and mobilising regional potentials for development.

Taking account of these different influencing factors, territorial impact assessment is then undertaken in reference to different spatial EU objectives. The analyses concentrate on the objectives of spatial cohesion (convergence), competitiveness and integration, while the objective of polycentrism is referred to only selectively, which is largely due to its close relation with the other objectives under consideration. However, it is to be recognised that the term 'spatial cohesion' is often also used as general objective comprising the other objectives as sub-objectives. In reference to the latest terminology for future Structural Funds (SF) the respective chapter 8 employs the term 'convergence' rather than 'cohesion' when referring to this specific objective. However, in the remainder of this report, the former utilisation of terms, where 'cohesion' was understood as one of several objectives, remains unchanged.

[3] For further reasons of employing this concept see SIR (Kujath, Kunkel, Zillmer et. al. 2003: 16pp).

Figure 5-1: Model of Interrelations Between Factors Influencing Territorial Impacts



Corresponding to the potential analysis undertaken and presented in the SIR, in the following only an updated summary of the potential analysis is provided which has been extended by a regional cluster analysis on basis of a number of potential indicators. On basis of the earlier potential analysis a draft typology of the Central and Eastern European regions' potential endowment has been developed which shall be utilised as exit point for the following cluster analysis, especially as it has also been used for tentative policy package options in the TIR.

5.2 Summarised Potential Analysis

As far as data allow the potential analysis refers to the whole ESPON space. Nevertheless, at least with regard to some of the indicators, this means, that differentiation within the new Member States and Candidate Countries is sacrificed for a comprehensive European overview of potential endowment. Thus, to concentrate on adequate development of regions' types in the countries, which have received pre-accession aid, the following cluster analysis will concentrate on these countries rather than giving a European view.[4] As the potential analysis has been presented in length in the SIR[5], here only updates with regard to the indicators further utilised in the cluster

[4] This is the more valid, as ESPON project 2.4.2 provides respective categorisations, for instance by means of the RCE, for the whole of the ESPON territory.

[5] Kujath, Kunkel, Zillmer et. al. (2003: 142pp).

analysis are discussed shortly, providing the respective updated maps in the Annex to this report.

As policy interventions from 1998 onwards are under consideration, potential analysis also takes the years 1998/99 as reference period. Utilisation of this reference period allows to directly relate regional pre-accession aid interventions to the regional potential endowment.

5.2.1 Labour Market Potential

For the labour market potential, throughout the whole analysis process, a quantitative as well as a qualitative indicator has been available, i.e. active population density and the level of education, lately measured in terms of the Human Capital Index (HCI).

As compared to most parts of the ESPON space, active population density in the new Member States and Candidate Countries is of medium to low level, only achieving relatively high densities in some of the capital regions. Besides these regions, there are only few regions in these countries which have an active population density of at least 55 people per km^2, most of these are located in the central part of Central and Eastern Europe, in a triangle basically comprised by Berlin, Budapest and Warsaw. Besides this central area, many regions even fall within the lowest density group, similarly to many other peripheral regions in other parts of Europe (compare map 19-1 in Annex).

At the same time, in several regions, low active population density coincides with comparatively high HCI values, not only in Western Europe but also in some of the new Member States. Hence, this qualitative indicator – to some extent – puts into perspective the observations regarding the quantitative indicator. Nevertheless, apart from the Baltic countries, also with regard to the HCI, there is a – less distinct – concentration of medium to high levels observable in the aforementioned triangle area (see map 19-2 in Annex).[6]

Combination of these indicators implies, that there are regions in Central and Eastern Europe, which have a relatively poor endowment with both respects (e.g. many regions in Romania), while in other regions one or the other potential is stronger (e.g. Baltic countries) and in some regions, as in many capital regions and several regions of the triangle area, both potentials accumulate.

[6] For the interpretation of education levels across countries and in particular with regard to the Eastern European countries compare for instance Kujath, Kunkel, Zillmer et. al. (2003: 145).

5.2.2 Innovation Potential

While in the SIR the innovation potential was measured on basis of R&D expenditure, the latest analyses comprised instead R&D employment as respective indicator. This shift also implies some shifts concerning the R&D intensities in different regions. However, this shift was justified by better data accessibility. Map 19-3 in the Annex shows a quite clear centre-periphery pattern at both, European level and in the new Member States also at national level, where the latter employ mostly much lower shares in the R&D sector than the former. Consequently, especially in most new Member States, R&D activities and the innovation potential concentrate on few regions, which are mostly the capital regions. Furthermore, the majority of regions in the new Member States and Candidate Countries shows very little if any propensity to R&D activities at all, revealing lower respective potentials in large parts of these countries as compared to the old Member States.

5.2.3 Regional Market Potential and Geographic Position

In the tentative potential analysis of the SIR, the regional market potential has been analysed on basis of income and accessible population, while the geographic position was depicted in travelling times. As of the development of new and updated indicators later approaches to the potential analysis have shifted the latter indicators into a more comprehensive indicator referring to the regional multimodal accessibility potential as developed by ESPON project 2.1.1.

Similarly to many other potentials discussed so far, also purchasing power income levels reveal a centre-periphery pattern on European level, which is particularly clear with reference to the new Member States as compared to the EU 15 – with the likely exception of Cyprus. Furthermore, on national level purchasing power concentrates, once again, mostly in capital regions and to a lesser extent in the earlier mentioned triangle area, thus further enhancing an accumulation of potential endowments in these relatively central regions (map 19-4 in Annex).

These findings are further boosted with regard to the multimodal accessibility potential, which once again shows similar patterns for the new Member States and in their relation to the old Member States (map 19-5 in Annex). Here in some new Member States, in particular national potential endowment differentials, appear to be pronounced.

5.2.4 Urbanisation and Localisation Advantages

The above revealed bottlenecks in most peripheral Eastern regions in the new Member States and Candidate Countries are further aggravated when regional sector employment is analysed. As map 19-6 in the Annex indicates, high shares of agricultural employment still persist in a broad number of these regions. Furthermore, the respective agricultural intensities are mostly much higher than in Western Europe, leaving even most more central regions of the Czech Republic, Slovakia and Hungary with comparatively high agricultural employment in Europe.

These findings are further enhanced by a concentration of service sector employment in the capital regions of the new Member States and Candidate Countries as visible in map 19-7 in the Annex. Thus, potential analysis indicates gathering potentials in these regions and to a lesser extent in the regions neighbouring the EU 15 and the triangle area, where employment structures are much more dominated by industrial sectors than in other parts of the new Member States and Candidate Countries.

5.2.5 Institutional Potential

As of deficiencies of adequate indicators, here only a transformation index, which indicates institutional, economic and political transformation achievements has been applied. However, this indicator is only available on national rather than regional level, nevertheless specifying some country specific influences on potential endowment which can in particular be interpreted in the context of adaptation processes within which pre-accession aid measures are developed and implemented.

In general terms, there is a tendency of relatively low values of the transformation index – indicating limitations of the institutional potential – in the more peripheral countries of the new Member States and Candidate Countries as compared to the more centrally located countries. The lowest values in this context among the Central and Eastern European countries were related to Latvia, Bulgaria and Romania.

5.3 Tentative Potential Oriented Typology

On basis of above potential analysis and as exit point for below cluster analysis and development of policy recommendations/options, a tentative potential oriented typology has been developed in the SIR.[7] Furthermore, this typology has served for the development of policy package options for different types of regions in the TIR.[8] As of this relevance throughout the

[7] Kujath, Kunkel, Zillmer et. al. (2003: 182pp).
[8] IRS et. al. (2004: 223pp).

project, this typology shall be summarised below before turning to the results of the cluster analysis.

Generally speaking, the potential oriented typology differentiated between

- Capital cities and major urban agglomerations;
- Western border regions;
- Peripheral Eastern and rural regions;
- Old industrial regions;
- Island economies.

In the new Member States potentials concentrate in the *capital cities* and few other major urban agglomerations. These regions have the most favourite socio-economic indicators within the regions of the new Member States and Candidate Countries. They benefit, for instance, from relatively high investments, high levels of human capital, more developed infrastructure, higher shares of service employment etc. Furthermore, also potentials not measurable through secondary statistics on European scale for the regional level, such as the availability of training facilities or the access to decision making processes and responsible actors obviously also concentrate in these agglomeration regions. Their potentials allow for higher income and more modern economic structures than in other regions within these countries. In some cases, like Budapest, Prague or Bratislava, the capital's potential provision even dominates the respective national economic structures. This strongly affects the objectives of spatial cohesion and polycentric development. This concentration is, apart from historical groundings, at least partly due to the spatial intensity of economic activities, in particular, in the early years of the catch up process after the beginning of the transformation process. Consequently, while these regions' domination opposes polycentrism, they are still regions with an integrative function for the surrounding regions, which only few if any other regions in these countries can provide.

The *Western border regions* are more heterogeneous than the major urban agglomerations. However, their most important common characteristic is related to their spatial closeness to the former external EU 15 border. Nevertheless, also this characteristic represents an important potential, as it encourages Western investments, trade, tourism and cross-border retail but also initiatives in educational and technological terms. In addition, though many of these regions are of rural characteristic, in addition to the spatial closeness to the EU 15, they tend to show more potentials and less bottlenecks than the peripheral Eastern and rural regions. Consequently, policies can utilise these potentials more easily for translating them into

regional growth and development rather than in regions dominated by bottlenecks. This holds in particular with regard to these regions' role for trans-national networking. Yet, they can only comply to these tasks if the necessary prerequisites for successful business cooperation etc. are fulfilled, like the provision of appropriate infrastructures to overcome the limitations of potentials typical for rural and/or peripheral regions.

These regions' chances are somewhat opposed by the characteristics and developments of the *peripheral Eastern and rural regions*. Generally speaking, these are the regions most disadvantaged in economic terms in the new Member States and Candidate Countries. The geographical unfavourable location there coincides with mostly poor infrastructure in all aspects, low investments and business activities, limited access to high level education etc. Furthermore, these regions are also confronted with the economic results of such disadvantages as they face relatively low income and they tend to have high unemployment rates, especially as compared to the capital regions. Although these regions need political support in order to participate in national and European restructuring many of these regions are in a position where structural political interventions are likely to result in transfers rather than sustainable investments. Thus, the comparatively low level of development observable in the Eastern peripheral and rural regions claims for different political strategies other than those generally followed in the EU 15 in order to realise sustainable support rather than temporary transfers. The problem lies in an exceptional accumulation of bottlenecks, which is rather rare in the EU 15.

In spatial terms centrally located in the new Member States are the *old industrialised regions*. They are also somehow enveloped by the potential development axes of the Central and Eastern European triangle area. Under the socialist regime, these regions have been important drivers of economic activity. Despite the availability of some potentials, like comparatively high accessibility and population density, the old industrialised regions have suffered from the privatisation process, comprehensive enterprise restructuring often leading to their closure, sudden loss of subsidies and the force to reorient activities to market structures. Regions were particularly hard hit, the less diversified the regional industry. Furthermore, to set up modern highly competitive industries and other high-value added economic activities entrepreneurship and respective qualifications of the labour force are needed. Especially entrepreneurship qualities cannot be set up quickly but need special stimulus. Finally, for attracting modern economic sectors, these regions also need to overcome their environmental problems representing severe bottlenecks at least in parts of the old industrialised regions.

Lastly, the *island economies* are faced with largely different problems than the other new Member States, which is due to their quite different structure. Although the island economies also differ strongly in their structures, they have some common features, which relate to specific problems as of their small nations located at the European periphery. While they benefit from environmental potentials, they are faced with bottlenecks related to their geographic position etc. Therefore, these island economies play a specific role in the context of international networking to overcome their solitary situation. Other spatial objectives, i.e. social and economic cohesion and competitiveness, are of lower importance for these regions on meso and micro levels, as of their small territory. Yet, they are relevant also for the island economies in terms of European spatial development. Due to their different levels of economic development and quite different economic structures, Malta and Cyprus need different spatial policies in the catch up process on macro level.

5.4 Potential Oriented Cluster Analysis

The conducted cluster analysis can be regarded as an additional approach for the identification of regional strength and weaknesses, i.e. potentials and bottlenecks, which could be utilised for the development of a compelling structure of optional policy measures and programmes. This analysis can, furthermore, verify, qualify or falsify the results of the potential analysis gained so far, and thus, provide additional background against which TIA is conducted in below chapters. Especially for the reference of the TIA – and in contrast to above potential analysis – the cluster analysis has been undertaken for two different points of time, i.e. 1998/99 data as starting point and 2001 as reference for the end of the impact analysis period.

5.4.1 Elements of Cluster Analysis

For both points of time basically the same indicators have been utilised for the clustering process, though for some indicators data were only available for one year. Table 5-1 summarises the relation between indicators and potentials as well as the reference years for the two cluster analyses.

As Table 5-1points out, for three of these indicators it was not possible to use different time reference points. However, these indicators were regarded as too important for total exclusion and inclusion in only one of the cluster analyses would have distorted the comparison of either analysis results more strongly than the inclusion of only one reference period.

Table 5-1: Indicators in Cluster Analysis

Potential	Indicator	1998/99 Analysis	2001 Analysis
Labour market potential	Human Capital Index	1999	2001
	Active population density	1998	2001
	Unemployment rate (as bottleneck)	1999	2002
Innovation potential	Share of R&D employment in active population	1998-2001***	1998-2001***
Regional market potential and geographic position	GDP per capita in PPS	1999	2001
	Multimodal accessibility potential (MMAP)*	2001	2001
Urbanisation and localisation advantages	Share of agricultural employment in total employment	1998	2001
	Share of tertiary employment in total employment	1998	2001
	Settlement structure: densely populated areas	1999	1999
Institutional potential	Bertelsmann Statusindex**	2003	2003

* As for this indicator results of ESPON project 2.1.1 were utilised, it has only been available for one year.

** Only the latest publication of the status index (political and economic transformation) has been available.

*** As of very limited data availability, R&D employment had to be utilised for different years for different countries.

In order to avoid one-sided influences correlation analysis has been conducted and highly correlated indicators eliminated and indicators have been standardised. Furthermore, different clustering methods have been tested and in accordance with the preconditions the method according to Ward was finally selected and provided the 'best' results.[9]

[9] For a discussion of different clustering methods see for instance Backhaus et al. (2003)

5.4.2 Spatial Clusters of Potential Endowment

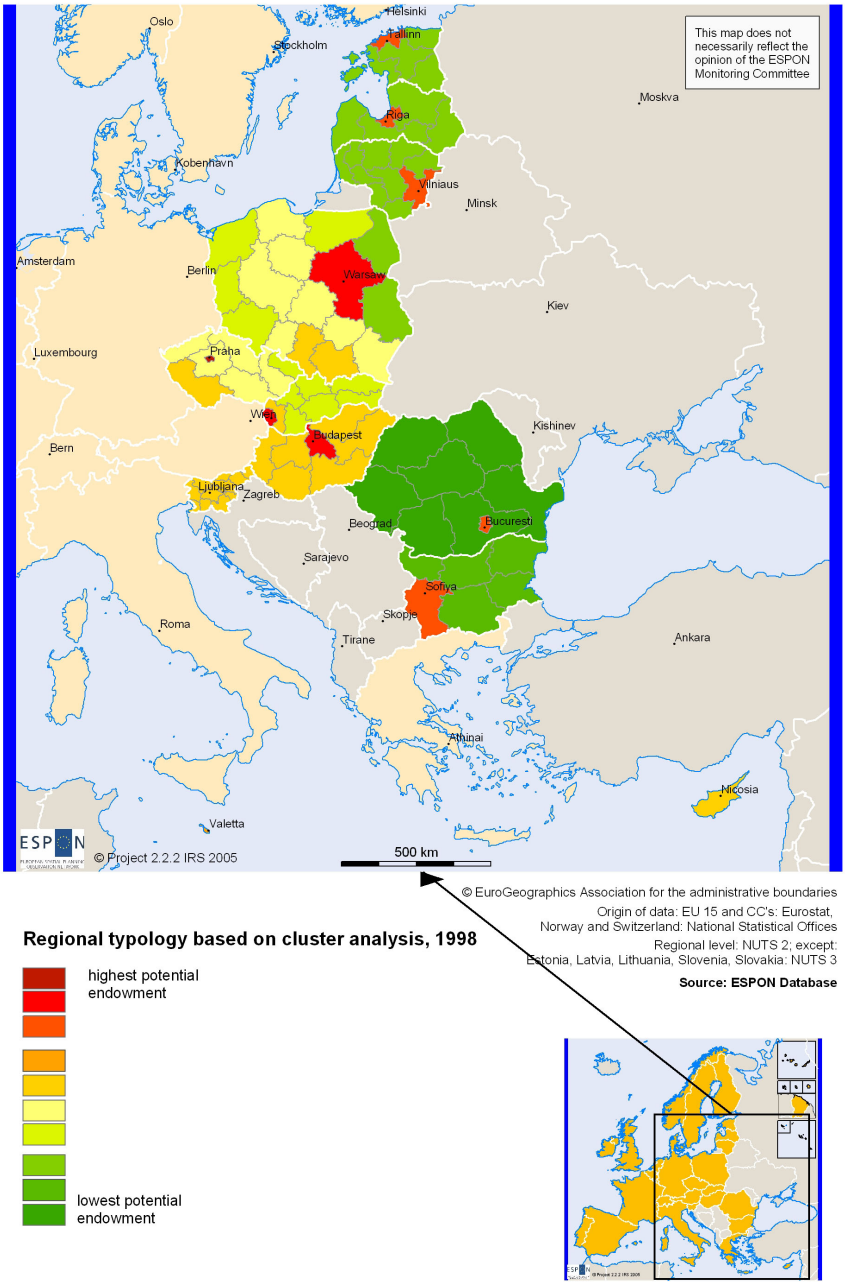
The results of both cluster analyses allowed for a differentiation between ten groups of regions, which in the following are referred to as types of regions. On the basis of the indicators' mean values these types of regions could be further characterised which then suggested kind of an order of regions with regard to their overall potential endowment. For better understanding these ten types of regions can then be aggregated to three categories, each comprising three to four of the regions' types. These categories can best be described by the terms

- Capital city regions and growth poles;
- Western border, centrally located rural and old industrialised regions;
- Eastern peripheral and rural regions.

The capital city regions sum up the categories with the highest potential endowment, while the lowest potential endowment is found in the different types of Eastern peripheral and rural regions (see Map 5-1 for 1998 and Map 5-2 for 2001). The middle category of Western border, centrally located rural and old industrialised regions certainly shows the greatest diversity with regard to the indicators, where each of the region types is characterised by a somewhat different accumulation of potentials. Thus, altogether each type within the middle category reveals a medium potential endowment as compared to the other two categories, though with different priorities. In some cases just single or few potentials represent bottlenecks rather than a development potential, while other indicators point to relatively good values. For instance, in the case of Malta, which generates its own group, it is only the HCI level which prevents Malta from being in one of the three red marked groups, while other indicators, especially active population density and the sector structure indicate potentials equivalent to those of most capital regions.

As of its outstanding potential indicator values, Prague also forms its own cluster, which in cluster analyses including the neighbouring border regions of the EU 15 joins in one cluster with Berlin and Vienna rather than with other capital regions in the new Member States. Apart from the mean values for the clusters given in tables 19-3 and 19-4 in the Annex, this also stresses the exceptional position of Prague within Central and Eastern Europe. The remaining capital regions then could be divided into two clusters, of which the more peripheral capital regions in the Baltic states and Bulgaria and Romania show basically lower potentials with regard to R&D intensity, per capita GDP, accessibility and the transformation index as compared to the cluster of the more centrally located capital regions.

Map 5-1: Results of Potential Oriented Cluster Analysis, 1998/99



Apart of Malta, the category of Western border, centrally located rural and old industrialised regions contains three further regional clusters. The first of these clusters comprises Slovenia, Cyprus, most parts of Hungary as well as Trnavsky kraj in Slovakia, Jihozápad in the Czech Republic and Sląskie and Małopolskie in Poland. Therefore, it embraces the majority of Western border regions in the new Member States. However, these regions are all neighbours to EU 15 regions which are mostly better developed than other EU 15 border regions, e.g. in Eastern Germany or Greece. Consequently, potentially relatively better endowed regions in the new Member States seem to neighbour equally well off regions of the EU 15 and vice versa. In

total, this cluster does not show extreme values but can be characterised by relatively high potentials with regard to R&D, unemployment and the transformation capacity.

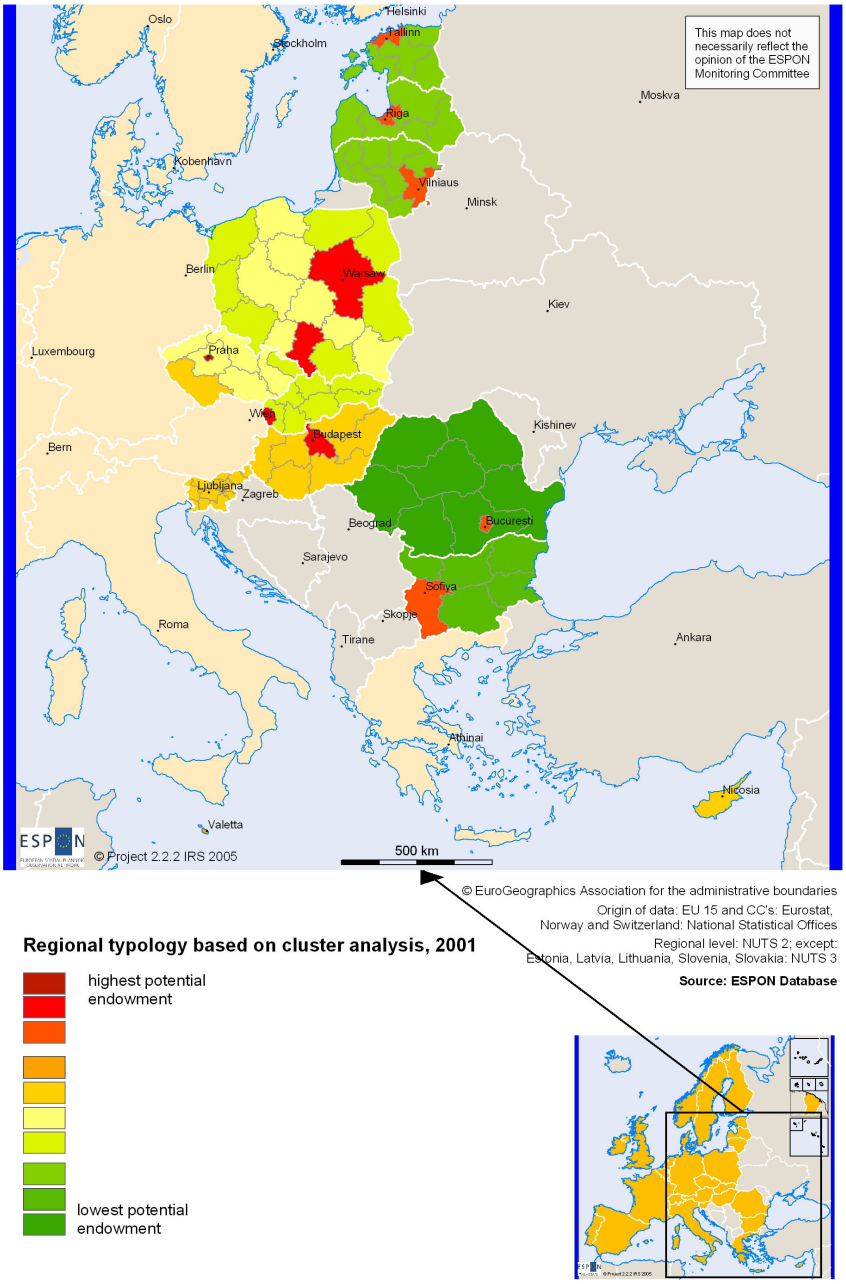
Another cluster, which contains large parts of central Poland and most Czech regions has also mostly medium values for most potential indicators but can be characterised by a relatively poor situation of sector employment. In this cluster average agricultural employment has remained on a relatively high level while the tertiary sector does not seem to be well developed. The last cluster of this category then consists mainly of the Polish Western border regions and large parts of Slovakia. In this cluster some indicators tend to present bottlenecks rather than potentials, though still at intermediate level. These are especially a very low share of R&D employment, high unemployment, low active population density and peripherality in terms of accessibility.

However, also within this cluster – as for the whole category – bottlenecks do not tend to hamper regional development significantly as compared to the category of Eastern peripheral and rural regions. In addition, large parts of these clusters of the first two categories fall within the earlier mentioned development triangle of Central and Eastern Europe or are closely located to this triangle, while the remaining clusters of Eastern peripheral and rural regions are located well beyond this central area.

Within this last category of Eastern peripheral and rural regions the cluster comprising all non-capital regions in the Baltic states and the East Polish voivodships of Podłaskie and Lubelskie is best endowed with different potentials, in particular with regard to the institutional capacity, R&D employment and the HCI. However, severe bottlenecks become apparent in the regions of these clusters with regard to active – and therefore also total – population density, the degree of peripherality in terms of accessibility and a quite high share of agricultural employment. Within this category, the cluster of all Romanian regions – except of Bucharest – shows by far the poorest potential endowment with an agglomeration of weakly developed indicators, such as the HCI, R&D employment, institutional capacity and sector employment.

Also the cluster analysis on basis of the latest available data (see Map 5-2) indicates a similar cluster distribution as for 1998/99. Thus, despite the fact that some indicators in the different cluster analyses refer to the same year, this result still points towards similar directed developments in the majority of regions in the new Member States and Candidate Countries.

Map 5-2: Results of Potential Oriented Cluster Analysis, 2001



Only five regions were assigned to different clusters in 2001 as compared to 1998/99. Słaskie voivodship was the only non-capital region which got assigned to the cluster of capital regions and growth poles for the later reference period. Simultaneously, the neighbouring region Małopolskie was shifted to a cluster with somewhat lower average potential endowment. These adjusted assignments could possibly indicate agglomeration effects though both regions contain a MEGA – Katowice respectively Krakow – according to the results of ESPON project 1.1.1. Apart of Małopolskie only the region surrounding the Slovak capital region (Trnavsky kraj) shows an assignment to a less well endowed cluster for the later analysis period,

which possibly also points towards increasing agglomeration in the MEGA region of Bratislava.

Contrasting these shifts, the two Eastern Polish regions which were assigned to the Eastern peripheral and rural regions' category in the earlier period were assigned to a better potential endowed cluster for the later analysis period. This indicates backlog processes on meso level. Such processes might be supported in the future by improved connectivity to the neighbouring capital region, though this cannot be verified so far.

A comparison of the Annex Tables 19-3 and 19-4 further reveals mostly parallel developments or very small changes for many potential indicators for the different clusters. However, a few indicators show opposite developments, which shall be discussed shortly, as they are important for overall potential endowment understanding. One such indicator is agricultural employment, which seems to have been reduced significantly in the peripheral Bulgarian regions while it has somewhat increased in some regions belonging to the growth poles and in particular in the Romanian peripheral regions. Furthermore, some dispersing developments can also be noticed for the active population density and in particular for the unemployment rates. Yet, basically in all categories positive as well as negative such developments can be spotted. These observations might indicate the vulnerability of the achieved socio-economic development in the new Member States and Candidate Countries, which asks for sustained support.

5.5 Getting Tentative Potential Oriented Typology and Cluster Analysis Results Together

Summarising, this sub-section intends to relate the preliminary results gained in the tentative potential oriented typology to those of the cluster analysis, in order to achieve a comprehensive picture of potential endowment as basis for below TIA analysis and later policy option development.

The previous category of *capital cities and major urban agglomerations* is largely coherent with the category of *capital regions and growth poles* in the cluster analysis. However, the differentiation between different clusters of this group allows for a better identification and assignment than the tentative approach in the SIR.

Furthermore, also with regard to the former group of *Western border regions* a better founded differentiation could be accomplished by means of the clustering process which stresses the different potential endowment along the former EU 15 border, especially between the Northern and Southern

regions. Such Western border regions tend to be the better endowed with potentials the better endowed also their neighbouring regions in the EU 15.

The formerly broad indication of *Eastern peripheral and rural regions* received a stronger differentiation in the cluster analysis as this analysis indicated the potential endowment differences between relatively centrally located rural regions and those located in the Eastern periphery of the EU 25 respectively EU 27 territory. In addition, also within this category, the cluster analysis allowed for a stronger and better founded differentiation of clusters than the tentative typology.

Finally, the assignment of regions to the different clusters also points to the role of country specific influences, which become most apparent with regard to the institutional capacity and the development of unemployment rates.

Nevertheless, also the cluster analysis could not overcome all analytical problems, which, to some extent, relativize the determination of the gained results. For instance, the results of the cluster analyses do not make apparent all important spatial differences as of lack of adequate quantitative data, as e.g. the spatial isolation of Cyprus and Malta. However, with regard to other regions, this analysis allowed for additional differentiations as compared to the tentative approach of the SIR. This way, the regional type of *old industrialised regions* could be displayed more properly. The cluster analyses show, that obviously, some of these regions have more in common with other (neighbouring) regions in their own country than with other old industrialised regions of the CEECs. This finding also indicates the relevance of national influences. Nevertheless, in particular the 1998 cluster analysis (see Map 5-1) also demonstrates the similarity of the old industrialised regions, as all of them belonged to the middle category of clusters rather than to the best or most poorly potential endowed categories. Hence, the preliminary analysis was on the right track.

Yet, neither of the analytical steps could solve the problems inherent in the varying delimitations of regions. This is particular apparent with regard to agglomeration areas. Apart from the very narrow delimitation of Prague, which actually strengthened the exceptionality of indicator values and thus made out a separate cluster, other agglomeration areas, such as the by ESPON project 1.1.1 as MEGAs defined Polish agglomerations of e.g. Poznan, Gdansk and Szczecin are not visible in the cluster analyses, which is at least partly due to very wide regional delimitations.

Concluding, it can be stated, that the cluster analyses proved to be adequate as measure for indicating potentials and bottlenecks in a summarised way on macro level. It allows the regions to trace their own situation in a whole European respectively CEEC context. Yet, it does not replace deep and sound

regional SWOT or related analyses, which can stress regional specificities and thus specific potentials on a much more detailed level.

6 Regional and Spatial Impacts of EU Pre-Accession Funds

This chapter can be regarded as the core of the territorial impact assessment of pre-accession aid which in the following chapters is then supplemented by additional analyses and insights. This explains why the following chapter dominates the 2nd part of the final report in terms of length. Furthermore, because of a number of methodological problems when trying to measure territorial impacts of pre-accession aid, it has been necessary to employ different steps and methodological tools in order to gain substantial insights into these impacts.[1]

The following analyses are strongly connected with the potential analysis provided in the SIR of ESPON project 2.2.2 and the related cluster analysis provided in chapter 5 of this final report. Since the potential analysis represents an "anchor" throughout the whole project's analyses, the SIR proposed a generalised typology of potential endowment in the regions of the new Member States and Candidate Countries, which has been further elaborated in the course of the clustering process. However, this more generalised typology is sufficient as frame for the policy analysis. Nevertheless, many aspects of the policy analysis will focus on selected policy priorities and potentials, only referring to general potential provision in concluding terms.

Against this background of a potential oriented typology, the following sub-sections of the policy analysis differentiate between four analytical groups of examination. The first two sub-sections provide updates of the respective sections of the second and third interim reports. These findings are then supplemented by further assessments of the policies moving towards territorial impact assessment along two different lines of analysis, i.e. a quantitative and a qualitative. To sum up the policy analysis with respect to cohesion, polycentricity and competitiveness objectives of the ESDP, this section finishes with an overall evaluation of the impact analysis, summarising the most important findings. This analysis is then complemented in the following sections with regard to the objective of spatial integration as well as some supplementing information on relevant national policies, the Acquis and other related issues.

[1] For a discussion of these methods and problems see also chapter 4 and 12 limitations).

6.1 Review of Pre-Accession Aid Programmes and PHARE

There are currently three main pre-accession instruments which have been available to the ten Central and East European Candidate Countries and new Member States. They are:

- PHARE, which has the largest financial allocation, worth ca. €1.6 billion per year at 2000 prices;
- ISPA (Instrument for Structural Policies for Pre-Accession) with a volume of €1.1 billion per year; and
- SAPARD (Special Accession Programme for Agriculture and Rural Development) with a financial allocation of €0.5 billion.

Cyprus and Malta do not participate in any of these programmes. Instead, 'financial protocols' are in place to promote economic development.

The aim of this section is to explore the extent to which the pre-accession aid programmes address territorial development goals and objectives, by reviewing each aid instrument in turn.

Table 6-1: EU Financial Perspective 2000-2006 (EU 25) adjusted for Enlargement, Commitment Appropriations in 2004 Prices

	2000	2001	2002	2003	2004	2005	2006
Pre-accession strategy	3.174	3.240	3.328	3.386	3.455	3.455	3.455
Agriculture [SAPARD]	529	540	555	564			
Pre-accession structural instrument [ISPA]	1.058	1.080	1.109	1.129			
PHARE (applicant countries)	1.587	1.620	1.664	1.693			
Compensation[2]					1.410	1.299	1.041
Total appropriations for commitments	93.792	97.189	100.672	102.145	115.434	117.526	118.967

Source: EU press release "Enlargement financial framework agreed", 09.04.03

[2] The line "Compensation" refers to finance to be provided to the acceding countries in order to ensure that they are not net payers into the EU budget in 2004-2006, for example if payments from the EU budget's programmes are slow to start flowing.

Table 6-1 provides an overview of global financial allocations within the EU financial framework for spending on pre-accession assistance, drawing on data from the revised financial framework agreed by the Parliament, the Council and the Commission in April 2003.

Pre-accession aid programmes have been extensively reviewed in the 2nd Interim Report of ESPON project 2.2.2 on basis of a meta-analysis. Thus, in the following more summarised information is given on the general character of the different elements of pre-accession aid, drawing on the different aspects of spatial impacts. Moreover, hypotheses on spatial impacts of pre-accession aid developed in the 2nd Interim Report have been further elaborated and are presented here to form a coherent basis for the empirical analysis provided in the following chapters. The concluding section of the whole chapter will also provide some empirical reference with regard to the listed hypotheses, this way providing the link back to the beginning of this project's research.

6.1.1 Character of Pre-Accession Aid Programmes and PHARE

PHARE is the main 'regional' pre-accession instrument. It began in 1989 with the objective to provide support for Central and East European Countries (CEECs) in the process of fundamental economic restructuring and political reform, e.g. by supporting the development of the private sector, democratisation and human resource development. The programme operated on a largely 'demand-driven' basis with governments from partner countries putting forward projects directly to the EC. Since then, the programme has evolved progressively to reflect changing requirements. From the mid-1990s, PHARE focused on supporting the applicant countries in their preparations for their accession to the EU. In 2000, PHARE was again re-oriented, this time to target economic and social cohesion and institutional capacity building. The programme currently comprises of three distinct elements, i.e. national programmes, cross-border cooperation programmes and multi-beneficiary programmes.

Under the most recent PHARE programmes, the largest proportion of funding goes to the PHARE National Programmes. Allocations to these programmes vary according to the population of the country and funding covers a wide range of actions. In the 2001 programmes areas receiving the largest amount of funding were generally economic and social cohesion (Bulgaria, Poland, Romania, Slovenia) or improvement of administrative capacity (Slovenia, Czech Republic, Hungary). Since 1998, at least 30 % of the

PHARE National support to has been channelled into institution building.[3] The remainder of the budgets is spent on investment projects that are categorized as either linked to EU norms, structural actions and large-scale infrastructures (see Table 6-2).

Table 6-2: PHARE Support According to the Nature of the Activity – 1998

Category	
Large-scale infrastructures	24%
Investments in structural actions	16%
Institution building	33%
Investments in EU norms	27%

Source:http://europa.eu.int/comm/enlargement/phare_evaluation_pdf/consolidated_summary_uk_9_may_color.pdf

PHARE CBC programmes were launched in 1994 to provide financing for projects of mutual interest to applicant countries and neighbouring EU Member States. The programmes aim to reduce the significance of national borders by encouraging cooperation and contact between neighbours and to help overcome the potential economic disadvantages faced by border regions stemming from their distance from national centres.

PHARE CBC programmes are consistent with support for investment in economic and social cohesion under National PHARE programmes. The programmes generally focus on business-related infrastructure, productive sector investment and human resource development.

Multi-beneficiary programmes are designed to meet needs which have been identified in all of the Candidate Countries and new Member States. They have a broader and distinct focus compared to the PHARE National Programmes. Some programmes have established funds which invite project applications from all over Central and Eastern Europe and finance the best submissions. For example, a fund has been set up to support non-governmental organisations. Other programmes finance consultancy, training, studies or construction services, which will benefit several countries at once. In these cases, the projects are selected by the Commission in consultation with representatives from all affected countries. For a selection of these programmes see Table 6-3.

[3] European Commission (2003) Phare ex post evaluation of country support implemented from 1997–1998 to 2000–2001, carried out by a private consortium consisting of PLS RAMBØLL Management (Denmark) and Eureval-C3E(France).

Introduced in 2000, the *Structural Action Programmes for Agriculture and Rural Development* (*SAPARD*) is designed to shadow the European Agricultural Guidance and Guarantee Fund, providing support for rural development and the sustainable development of agriculture. It also offers support to prepare for the implementation of the Common Agricultural Policy after accession.

SAPARD allocations for 2001 varied between €175.1 million in Poland to €6.6 million in Slovenia. Funding priorities vary between countries but it is possible to pick out some general trends as set out in table 19-5 in the Annex. In Poland, the Czech Republic, Estonia, Slovakia, and Slovenia improvements to the agri-food business is the main priority. In Latvia, Lithuania, Hungary and Bulgaria the largest amount of resources is allocated to investments in agriculture holdings.

Table 6-3: Selected PHARE Multi-Beneficiary Programmes

Programme	**Fields of Activity**
Access 2000	Environment, soco-economic
ACE (Action for Cooperation in the field of economics)	Exchange of knowledge of economics between academics and economists
Baltic Sea Region CBC	Cooperation between regions cities and local authorities
Business Support Programme	Support for Business representative organisations
Consensus III	Social Protection refrom
CREDO	East-East CBC
Drugs Programmes	Drugs Policies and Measures to counter drug trafficking
Environment Programme	Environment
Justice and Home Affairs	Justice and Home Affairs
Nuclear Safety	Civil nuclear Safety
SME Finance Programme	Small and Medium Enterprises

Source: http://europa.eu.int/comm/enlargement/pas/phare/programmes/multi-bene/

The *Instrument for Structural Policies for pre-accession* (*ISPA*) targets high priority transport and environmental investments and parallels the Cohesion Fund. Projects are aimed at helping the new Member States and Candidate

Countries to meet EU standards in the environment sector and develop high quality transport links necessary for economic development and the free movement of people and goods within the enlarged EU. In transport, most of the investments are related to the transport corridors and the TINA Network (Transport Infrastructure Needs Assessment). This includes projects aimed at extending the Trans-European Transport Networks including different means of transport infrastructure. So far, road and rail infrastructure have dominated ISPA programmes. Assistance in the field of environment infrastructure will concentrate on the "investment heavy" directives, which concern: drinking water, treatment of wastewater, solid-waste management and air pollution. Up to now wastewater treatment was the main sub sector supported, followed by drinking water.

Cyprus and *Malta* are not eligible for the three pre-accession funds described above. Instead, pre-accession funding in Cyprus and Malta involves cooperation projects and operations in the form of grants and may be financed in the following indicative areas:

- technical assistance, training or other services, supplies and works, audits and evaluation and monitoring missions corresponding to the objectives cited above,
- any operations to contribute to the reconciliation of the two Cypriot communities.

6.1.2 Pre-Accession Aid and Territorial Objectives

The following sections provide a rather detailed analysis of the potential territorial impacts of the pre-accession aids, which are summarised in Table 6-4. In addition to the three instruments presented in the table, a separate section will deal with the special programmes for Cyprus and Malta. By means of the below provided analysis, the basis for the hypotheses suggested further below and their empirical relevance will be set.

Table 6-4: A Synthesis of Pre-Accession Aid and Spatial Development Objectives

	Spatial Cohesion	Spatial Competition	Spatial Integration
PHARE	Support for lagging regions and promotion of balanced development across territories Support for	Addresses development bottlenecks and barriers to development through economic development activities such as	Promotion of cross-border cooperation and networking activities Exchange programmes, twinning and multi-

	disadvantaged groups	promotion of endogenous development, SMEs	beneficiary programme promote exchange of best practice
ISPA	Transport and environment infrastructure investments could address key development bottlenecks in the region.	Improved infrastructure – link to improved regional competitiveness	Investment in infrastructure promoting cross-border and inter regional links
SAPARD	Support for rural regions and agricultural communities	Support for agricultural diversification and endogenous development	Integration of rural communities

6.1.2.1 PHARE

The following analysis draws on a general review of the PHARE programme in each country up to 1999 and an in depth analysis of the more recent PHARE 2000 programmes. Documentary evidence is supplemented by interviews with policy makers, in particular when considering approaches to the development and implementation of programmes.

The analysis is undertaken with particular reference to territorial and spatial development themes and especially the four main areas where PHARE deals most directly with regional potentials and bottlenecks:

- *Human capital* – raising skills and educational levels, raising managerial capacity etc.;
- *Capital supply* – direct investments in physical capital, the environment supporting technology, economical energy technologies, financial engineering;
- *Geographic position* – improving business related infrastructure, making business sites available;
- *Institution building.*

This section will demonstrate that it is possible to highlight a number of ways in which the PHARE programme has addressed and impacted on territorial development themes. The current overall objectives of programmes aim at creating national conditions for EU accession rather than territorial cohesion as such. Many of the programmes and a number of projects referred to are developed in the context of overall national, and not

territorial/spatial, development needs and fields of action. Most commonly, they are designed with reference to EU accession and national economic development criteria rather than to territorial development themes. In addition, project selection was, for a long period, demand led and determined by the project proposals of, most commonly, sectoral ministries. Regional potentials and bottlenecks are, therefore, not necessarily explicitly targeted. It should also be recognised that the impacts and influence of the programmes have varied over time, linked to PHARE reforms.

However, the broad objectives of the PHARE and the character of the recipient countries mean that these forms of assistance contribute to combating disparities between the EU 15 and future and new Member States, and thus impact upon the territorial balance of an enlarged EU. Social and economic cohesion, in particular, is a key focus of the PHARE programme and is an objective that links well with territorial development.

Despite a number of factors limiting territorial impacts of PHARE it is still possible to highlight a number of ways in which the PHARE programme links to specific forms of regional bottlenecks and potentials.

In general terms, a number of countries have used regionally targeted PHARE projects and programmes from a relatively early stage. Regional development has played a key role in the Hungarian PHARE programme since 1995. In Poland, the PHARE 2000 programme has concentrated investment support on five target regions at NUTS II level. In contrast, in Estonia and Lithuania regions and regional problems were generally not mentioned in programmes prior to 1999. However, since 2000, PHARE investment support from national programmes is limited to target regions and only PHARE's institution building resources are available across the whole country. By targeting lagging regions, these programmes have the potential to contribute in some way to the promotion of balanced national development. At the same time, as pilot and institution building projects, they also serve the wider purpose of preparing for future Structural Funds (SF).

The objective of developing *human capital* is addressed in a variety of ways by PHARE projects and programmes, e.g. through funding for education and training; training to promote institutional capacity building and promotion of human rights/social integration. Funding provision for education and training is a long-standing objective of a large number of PHARE programmes and projects. In the majority of cases, projects are not necessarily spatially targeted. However, the nature of the projects means they do relate to, in particular, spatial cohesion and balanced spatial competition. Vocational training and re-qualification projects are particularly relevant for regions

with high unemployment and a dependence on traditional heavy industry. Thus, both spatial cohesion and balanced development objectives are addressed. Educational projects have also been used to address inequalities between social groups.

Capital supply projects funded by PHARE can relate to a wide range of spatial development goals. For instance, business infrastructure and support can contribute towards more balanced spatial competition by allowing towns and regions to promote economic development and target regional potentials and bottlenecks. Transport and service infrastructure projects are capable of contributing to balanced development by improving accessibility and networking and to spatial integration between regions and wider European networks. However, across all the PHARE programmes, two forms of capital supply projects dominate – construction projects and SME funding. Before the launch of ISPA, PHARE funds were also used for projects to improve transport and environment, e.g. rail and wastewater projects.

As mentioned in the previous section, PHARE has funded a number of infrastructure projects addressing the *geographical position*. Some PHARE projects have also addressed the issue of accessibility and relative geographical position more directly. For instance, regional PHARE programmes in Hungary have targeted the most remote and peripheral North Eastern regions of the country by opening up new border crossings. This example makes clear, that PHARE activities addressing the geographical position do not only aim at cohesion and competitiveness objectives but also at the objective of spatial integration.

Institution and capacity *building* is a long standing and core element of the PHARE programme. With respect to institution building, PHARE aims to create "an institutional framework for the economic catch up process,"[4] in large part through the 'Twinning' programme involving EU civil servants working in the participating countries and delivering goal-oriented capacity building.

In many cases this type of support is targeted at the national level, for instance supporting reform and development of the civil service or promoting the coordination between ministries. More recently the twinning programmes and capacity building projects have gradually been extended beyond the national level to new regional authorities. For instance, PHARE programmes have been used to assist the capacity for regional development at national and sub-national levels. Commonly, support targets the improvement of regional systems and structures linked to SF implementation and management. Such support is e.g. provided to assist

[4] Brusis, M. (2000)

institution building and the strengthening of regional level financial control services.

6.1.2.2 SAPARD

Analyses of the SAPARD programmes identified a focus of the activities on the following three areas:

- *Capital supply* – direct investment in farms;
- *Geographic position* – improving rural infrastructure (communication, energy, streets etc.);
- *Environmental quality* – redevelopment of villages, water resource management, land improvement and parcelling.

The number of SAPARD projects and the extent to which they may have already impacted on territorial development themes are limited. Since 2000, the number of projects funded has been relatively few, as delays in the establishment of suitable implementation structures led to related hold ups in project development and implementation. By the end of 2001, only five of the ten countries eligible for support under SAPARD had secured approval by the Commission for their implementation agencies.

Support is granted on the basis of a single agriculture and rural development programme per applicant country. Overall, across all the programmes, no specific reference is made to the concepts of territorial cohesion, spatial development and polycentric development. However, the broad objective of reducing territorial disparities by supporting economic and social cohesion is implicit in the SAPARD programmes. They address the fundamental structural disparities between urban and rural areas.

Capital supply projects funded by SAPARD can relate to a wide range of spatial development goals. The three main measures associated with *Direct Interventions in Farms* are *Investment in Agricultural Holdings*, *Improving the Processing and Marketing of Agricultural and Fishery Products*, and *Development and Diversification of Economic Activities in Rural Areas*. These interventions have the potential to contribute towards more balanced regional development and spatial cohesion by addressing both the need for various forms of agricultural investments and diversified economic development in rural areas.

All SAPARD programmes incorporate a measure for *Improving Rural Infrastructure*, thus aiming at the *geographical potential*. The renovating and developing of villages and rural infrastructure, for example, has the capacity to improve the quality of life and the environment in rural areas as well as the conditions for entrepreneurial activities, the creation of new jobs and

business opportunities alike, thus contributing to the stability of settlements and reducing depopulation of rural areas. Other measures target at improving the conditions for entrepreneurship and to develop rural tourism as a means for job creation and economic diversification. These are also activities aiming at the reduction of bottlenecks and hence at regional development, which in turn aim at the reduction of social and economic disparities between regions.

Environmental quality projects funded by SAPARD can relate to a wide range of spatial development goals. Interventions addressing such issues as the redevelopment of villages, better water resource management, land improvement and re-parcelling and land consolidation, and agricultural production methods designed to protect the environment and maintain the countryside will improve the quality of life and the environment in rural areas. Moreover, improved conditions for entrepreneurial activities, the creation of new jobs and business opportunities will contribute to the stability of settlements, thereby reducing depopulation of rural areas. Projects may also be regionally targeted.

6.1.2.3 ISPA

The following analysis is undertaken with particular reference to territorial and spatial development themes and especially the two main areas where ISPA deals most directly with regional potentials and bottlenecks:

- *Geographic position* – improving accessibility of European agglomerations;
- *Environmental quality* – improving water supply and wastewater treatment, reducing air pollution.

Most of the Candidate Countries and new Member States do not explicitly address spatial development themes in their ISPA strategies. However, the core rationale of ISPA is to improve basic infrastructure in order to allow for stronger economic development in the new Member States and Candidate Countries. It therefore contributes to enhanced territorial cohesion. Exceptionally, one country, Estonia, sets out territorial cohesion as a clear objective within the transport sector strategy. The ISPA Transport Strategy aims at both strengthening economic and social cohesion within Estonia and improving its connectedness with the EU and other new Member States. The strategy document stresses the objective of achieving spatial balance and reducing the development differences between economically stronger and weaker regions.

Also in the environmental sector strategies there is generally no specific mention of spatial development themes. Regional differentials do receive

attention, particularly when they endanger the regional environment. However, whilst there are no explicit targets in terms of spatial cohesion, the underlying objective is clearly to level out these differences.

For the most part, ISPA funds do not give priority to the less developed regions. ISPA's transport funds are focused on core transport networks, often between the main agglomerations, while the environmental funds tend to be targeted on those places where the population is concentrated, whether in terms of e.g. waste water treatment plant, or actions to address severe environmental damage, e.g. linked to nuclear sites. However, at present, the key priority for ISPA investment is to deal with national and not regional development needs. Nevertheless, the localised character of the main environmental problems and transport potentials and bottlenecks, as well as the large-scale character of ISPA project financing, results in rather few and clearly spatially targeted projects.

The *geographic position* is targeted within the transport sector, where ISPA funds focus on sustainable forms of transportation infrastructure. Precedence is given to the Trans-European Transport Network as defined in the TINA Report. The objective is to provide better connections between the Union and the applicant countries as well as interconnections between national networks and links from them to the TENs. A summary of the key priorities within each of the participating countries is provided in table 19-6 in the Annex.

For the 2000-02 period, transport projects have accounted for 56% of all ISPA decisions. The largest proportion of this has financedrail projects, thus, promoting more sustainable modes of transport[5]. A key priority for this sector is the integrated development of the 10 Pan-European Transport Corridors. Therefore, many of the ISPA projects not only meet national requirements, but also promote cross-border and intra-European linkages.

As noted previously, around half of ISPA funds are allocated to the *environment* sector. For the whole period 2000-02, over 42% of this allocation went to sewage treatment projects, mainly to extend, repair or replace current sewage works systems. Around 38% of the allocation was assigned to drinking water facilities, mainly in conjunction with wastewater treatment projects. Finally, approximately 15% was allocated to solid waste management, primarily to landfill projects.

However, there are significant variations across the countries. Air quality and climate protection has only featured in the environmental priorities of Latvia, Lithuania, Poland and Slovenia. Likewise, drinking water facilities,

[5] CEC (2003b)

whether in conjunction with waste water treatment projects or not, do not play a significant role in Bulgaria or Slovakia. On the other hand, sewage networks and treatment plants represent an important priority in all the Candidate Countries and new Member States. Frequently, these types of projects are targeted on city regions. Furthermore, some of the projects have important cross-border implications, as can e.g. be stressed with projects which are related to river basins and air pollution.

6.1.2.4 EU Financial Assistance in Cyprus and Malta

The underlying objective of pre-accession funds available to Cyprus and Malta is to provide support for priority operations to prepare for accession. These priority actions are defined in the Accession Partnership and the National Plan for the Adoption of the *Acquis* (NPAA). Cooperation projects and operations are offered in the form of grants and cover:

- Technical assistance, training or other services, supplies and works, audits and evaluation and monitoring missions corresponding to the objectives cited above,
- any operations to contribute to the reconciliation of the two Cypriot communities.

In the case of Malta, €38 million was earmarked for the period 2000 to 2004 to allow Malta to prepare for accession and implement the Community a*cquis*, mainly through administrative capacity building projects and participation in Community programmes and agencies, including research and technical development framework programmes.

For Cyprus the initial amount allocated was € 57 million for the period 2000-2004. Because of accession in 2004, a smaller amount (€ 43.8 million) is available. The new Financial Regulation on the "implementation of the pre-accession strategy" for Cyprus will ensure that assistance is targeted towards pre-accession investment priorities, institution-building priorities and support in economic and social cohesion. Additionally, the regulation foresees to support "any operations to contribute to the reconciliation of the two Cypriot communities." This support is provided via so-called "bi-communal" projects.

Explicit references are not made to territorial objectives. However, a range of projects can be linked to territorial development themes and to specific regional potentials and bottlenecks. For instance, rural development and the competitiveness of rural areas were targeted under the 2003 pre-accession programme. In order to implement EU funds both countries have received support to develop institutional capacity. As a result new departments and

institutions have become involved in the development programming and more integrated measures are applied.

The funding available for these and other projects is considerably smaller in terms of its volume and focus than the pre-accession aid to the CEECs. Related, background conditions in these two countries differ considerably as compared to the other accession countries, e.g. they have not had to face the same level of large-scale economic and political restructuring.

Cyprus and Malta face distinct development challenges as island economies on the periphery of an enlarged EU. Both are highly reliant on the service industry, particularly tourism. Their economies are characterised by the comparatively low use of technology in key sectors. The promotion of economic competitiveness is another, related concern. EU support programmes address these types of issues through a range of actions such as education and training programmes. Cyprus and Malta also have an important position within the Mediterranean region. For instance, Cyprus has developed an international business and shipping centre, with strong links to Central and Eastern Europe, the Middle East and the EU 15. The important strategic position of both islands and development potentials offered are also recognised by EU programmes.

The two islands also face distinct development challenges which pre-accession aid has addressed. Cyprus faces additional political and economic difficulties linked to the division of the Island. Pre-accession to the Island economies reflect these challenges and aim to address their specific development needs, e.g. through promoting cross-community links in Cyprus. In Malta the particular needs of rural regions and fishing communities have been reflected in allocations of pre-accession aid to rural development measures. Also the particular needs of the island of Gozo, where development levels lag considerably behind the main island, are recognised. All these targeted measures are thus closely linked with the territorial objectives of spatial cohesion and competitiveness.

6.1.3 Pre-Accession Aid Polity and Process

It is not only pre-accession aid and PHARE programmes and projects themselves which impact upon areas relevant to territorial development. Furthermore, impacts are also inherent in the development and delivery of projects and programmes. Thus, the following sub-sections will provide a summarising review of polity and process aspects relevant to territorial objectives.

6.1.3.1 PHARE

In the case of PHARE programmes different impacts can be expected in relation to the different programmes implemented under PHARE, as for instance

- Promotion of international cooperation in the delivery of programmes (PHARE CBC);
- Strengthening of the participation of regional and local levels (PHARE regional programmes);
- Encouragement of innovative approaches to socio-economic development (PHARE integrated regional programmes);
- Improvement of policy coherence (promotion of partnership working and networking practices).

Decentralisation is now a key element of PHARE implementation – but this only reaches as far as the nation state. E.g. once a national programme has been agreed upon, implementation of the programme is decentralised from the Commission to the partner country. The system in operation has played a positive role in terms of transfer of experience and building up administrative experience in the partner countries.[6]

The allocation of responsibilities to sub-national actors has been a more progressive, less clear-cut process, paced according to the scope allowed by the EC for decentralisation and national circumstances. Administering EU regional assistance funds has stimulated the development of new regional institutions and processes and this in turn has begun to fill the vacuum in regional economic development noticeable as a legacy of communist rule and early transition priorities. While this process has created a framework of sorts and facilitated the administration of EU funds to the regions, one of the stated aims of EU regional aid in giving the region a greater say in setting its own economic development trajectories - is proving much more difficult.

Overall, therefore, while PHARE includes regionally targeted programmes, these are generally managed by national (not regional) actors. While a number of PHARE projects aim to promote regional development and local participation and partnership, administration of PHARE as a whole remains relatively centralized. This is linked, in part, to the legacy of centralised and sectorally-dominated decision-making in Central and East European countries. Risk minimisation is also a likely explanation for the national focus at this stage – especially given the EC's own resource constraints. Thus, summing up, while PHARE can be expected to have impacts on the

[6] ISPA and SAPARD also involve standardised structures.

participation of regional and local levels, for the time being, these impacts are very limited.

6.1.3.2 SAPARD

SAPARD is the first EU programme in the Candidate Countries and new Member States that is managed entirely within the responsibility of the country administration, in a similar way as the EU's structural and agricultural funds in EU Member States.[7] The content of each programme reflects priorities established by the national authorities, depending on the particular circumstances and needs of their country, within limits set under the SAPARD Regulation. The exercise of programming was entirely new for the country administrations that had to draw up these programmes. Nonetheless, the programmes for all 10 countries were ready and approved by the Commission in the autumn of 2000, and one of them (Latvia) was modified in 2001.

Another implication flowing from the programme approach applied under SAPARD is, that unlike the other pre-accession instruments PHARE and ISPA, where at least some key elements are managed by the Commission, with SAPARD the Commission is neither involved in management nor even project selection. However, this approach required two major exercises to be accomplished before aid could be granted.

The first exercise relates to regulatory and legislative instruments. Because of the novelty of the instrument, new Community legislation needed to be introduced. It was also necessary to negotiate with the participating countries an appropriate set of provisions covering all aspects relevant to the proper use, control and accountability of funds which was laid down in multi-annual financing agreements with each of them.

The other exercise required the establishment in each applicant country of an agency capable of implementing SAPARD. Delays in the establishment of suitable implementation structures have led to related hold-ups in project development and implementation. By the end of 2001, only five of the ten countries eligible for support under SAPARD had secured approval by the Commission for their implementation agencies.[8] However difficult these excercises for the individual country in the beginning of the process, they have certainly evolved institutional impacts in the accession countries in preparation of the EU membership.

[7] http://eng.el.hanashi.ee/page.asp?menu=448
[8] European Commission Directorate-General for Agriculture (2002)

6.1.3.3 ISPA

Within the Candidate Countries and new Member States, ISPA has been built on the existing institutional arrangements set up for PHARE, which have proved to be relatively effective in the past and at the same time minimise adjustment costs.

ISPA has provided the public administrations in the new Member States with their first experiences of the implementation of large-scale infrastructure projects under circumstances that are very similar to the Cohesion Fund. In this context, ISPA has offered the countries an important training experience, helping them to strengthen their understanding and their administrative capacity to implement key environmental and transport legislation and, in addition, strengthen the coordination between the various ministries involved. According to the 2001 Review of pre-accession aid, a total of €59.9 million for 30 technical assistance measures was allocated to strengthen the ISPA project pipeline for 2002 and beyond.[9] ISPA funds allocated to Technical Assistance (TA) can be used to prepare for decentralisation. At the end of 2002, one of these projects was approved for each country, amounting to 10.8% of all TA commitments[10]. The countries spending the greatest proportion of TA on decentralisation are the Czech Republic, Slovakia and Slovenia, each with over one third of their total contribution. As this suggests, there are variations in the emphasis put on decentralisation across the counties. Nevertheless, these implementation procedures, in particular of the TA, stress the regional institution building impacts of ISPA, thus strengthening participation of regional and local levels.

6.1.4 Spatial Levels Addressed by Pre-Accession Aid and PHARE

The review of pre-accession and PHARE programmes, so far, has made clear the different extents to which the various programmes address the different spatial levels of territorial objectives. According to the differentiation of spatial levels in ESPON, also pre-accession aid measures aim at the three spatial levels under consideration:

- European or transnational level (macro level);
- NUTS 1, NUTS 2 or NUTS 3 regions, which may be between countries or within countries covering several regions or a whole country (meso level); and
- areas within a NUTS 2 or NUTS 3 region (micro level).

[9] CEC (2003c)
[10] op. cit.

Some types of intervention may contribute more strongly to territorial cohesion at the level of the EU 27 (possibly ISPA), while others focus more strongly on cohesion between NUTS 3 regions (e.g. SAPARD). Clearly, this dimension is also affected by the geographical scale and location of a country, for example in the case of smaller countries (the three Baltic states, Slovenia, Cyprus and Malta), interactions between NUTS 2 regions imply international interactions. Geographical location can be important, for example in terms of potential to enhance integration with neighbouring countries, for example cooperation with Denmark, Finland and Sweden in the Nordic-Baltic region in the case of Estonia, Latvia, Lithuania and Poland; or with Germany, northern Italy and Austria in the Central European region in the case of the Czech Republic, Hungary, the Slovak Republic and Slovenia.

Therefore, basically all pre-accession aid programmes have aspects addressing all three spatial levels under consideration, however to different extents and with differing focus.

6.1.5 Conclusions and Hypotheses on Spatial Impacts of Pre-Accession Aid

In many respects the pre-accession funds provided in the Central and East European Candidate Countries and new Member States contribute to the territorial objectives through the achievement of their own primary aims. Territorial and spatial development themes are not necessarily explicitly addressed, but the shared objectives of promoting convergence with the EU 15 and accession to the EU are very much in line with the objectives of spatial cohesion, balanced spatial competition and spatial integration.

There were very few explicit links between the programmes and territorial goals. Yet, on a number of levels the programme linked with the objective of balanced territorial development. The development and implementation of projects and programmes has begun to promote an increasingly integrated and partnership oriented form of working.

It is important to recognise the role of pre-accession aid in the wider context of spatial cohesion in an enlarged EU. The development disparities between the Candidate Countries, the new Member States and the existing member states are substantial. As has been demonstrated, pre-accession aid itself has impacts in certain development priorities where it focuses support. However, longer-term perspectives and resources of the SF will more appropriately address the reduction of large-scale development disparities. This makes pre-accession programmes' focus on building the capacity for future SF particularly important.

In addition to the more tangible impacts upon territorial development, the pre-accession funding programmes have important capacity and institution building elements. Appropriate institutional and programming frameworks are required for the management of pre-accession funds. Experience gained through these structures and approaches provide potentially useful lessons for involvement in future SF programmes. Questions have been raised about the compatibility of the implementation structures developed for pre-accession instruments and those required for the SF.[11] However, programming commitments and project requirements encourage increased partnership within and between national and regional levels of governments, involvement of civil society groups and the establishment of new development organisation at national and regional level.

On basis of these considerations hypotheses can be drafted with regard to overall spatial impacts of pre-accession aid and significance of types of instruments, territorial scales and implementation and governance for spatial impacts.

(Overall) Key Working Hypotheses

The primary aim of the **pre-accession funds** is to support the implementation of the *acquis*, but in working towards this aim, they also contribute to the objectives of spatial cohesion, balanced spatial competition and spatial integration.

Spatial cohesion: In terms of spatial cohesion, pre-accession support assists the new Member States and Candidate Countries to meet the criteria for EU enlargement, thus promoting equity objectives at EU level. Support to lagging regions through the PHARE programme promotes equity at both, the national and EU level.

Balanced spatial competition: Pre-accession support has played an important role in addressing regional development bottlenecks and barriers to development. It has also offered support to regions capable of acting as growth poles for the national and EU economies.

Spatial integration: Spatial integration between then recipient countries and the EU have been strengthened by pre-accession programmes. Economic integration, infrastructure, cultural integration and political integration have all been developed.

The volume of resources, scale of development disparities and

[11] Bachtler, J. et al. (2002)

institutional capacities of the applicant countries mean the impacts of pre-accession aids are not easily measurable in terms of standard indicators.

Related socio-economic impacts of the pre-accession aid on spatial development are not pronounced, given the relatively small amount of funding spread across a wide range and the scale of development disparities.

Pre-Accession Instruments

The different instruments are likely to affect different aspects of territorial objectives to varying degrees and in different ways. SAPARD is more likely to affect equity objectives, while ISPA is expected also to affect competitiveness and integration objectives. PHARE and the NDPs will affect all three aspects of territorial cohesion.

Spatial cohesion: PHARE programmes' support has targeted lagging regions and also disadvantaged regions as in the case of border regions within the frame of cross-border facilities. SAPARD specifically targets rural development.

Balanced spatial competition: PHARE support is to enhance national and regional competitiveness. Transport infrastructure developments will support balanced spatial competition across an enlarged EU and within the new Member States.

Spatial integration: PHARE CBC and infrastructure investments will support spatial integration.

Country groupings: Some countries and regions are in a better position to benefit from pre-accession aid than others. Romania and Bulgaria face greater economic development challenges and, related, the impact of pre-accession aid programmes are less likely to be immediately apparent. In contrast, more direct and measurable benefits from pre-accession aid with a more notable impact upon spatial development objectives can be identified elsewhere. For instance, favourably placed, western border regions and heavy industrial regions could build upon existing development potentials and advance their position.

Territorial Scales

The impact of different instruments on territorial cohesion will vary at different territorial levels.

Spatial cohesion: Given the level of funding provided and the scale of disparities between the Candidate Countries, new Member States and the EU 15, the pre-accession programmes have not made a dramatic impact upon spatial inequalities. However, at a regional/local level, pre-accession aid has targeted equity objectives and has contributed towards development in lagging regions. At national level, cohesion objectives have been targeted though improvements in service provision and institutional capacity building.

Balanced spatial competition: Pre-accession measures have supported balanced spatial competition. Actions with the most significant impact are evident either at the local level (e.g. promotion of local business) or at the national level (e.g. through promotion of the competitiveness agenda).

Spatial integration: The PHARE programme has notable impacts upon spatial integration at the regional level, e.g. through PHARE CBC. At the national and EU levels, the PHARE programme and ISPA have had a key role in promoting spatial integration.

Country groupings: The impact of the different instruments on various aspects of cohesion and at different spatial levels will depend on specific aspects of each individual country, notably its geographical location, the size of its population and territory, the extent and quality of specific socio-economic and environmental problems, and the degree of inter-regional disparities as well as the size of the national gap towards EU 15 levels of development. Countries can be grouped into the following categories:

- Island Economies: Cyprus and Malta
- Small states (new Member States): Slovenia, Baltic States
- New Member States:Czech Republic, Slovakia, Poland, Hungary
- Candidate Countries: Romania and Bulgaria

A similar argument can be made in relation to the impact of pre-accession aid on regions, differentiating according to specific regional potential provision:

- Capital city regions
- Western border regions
- Heavy industrial regions
- Eastern peripheral regions

Implementation and Governance

Pre-accession funds can be considered as contributing to territorial objectives also as regards their method of implementation and governance. In particular, the PHARE programme has promoted the involvement of local and regional actors and institutions in development planning.

Institutional capacities and, related, absorption capacity still need to be further developed in order to capitalise fully on the development opportunities offered.

6.2 Regionalisation of Pre-Accession Aid Spending

Complementing above meta-analysis of pre-accession aid a much more detailed analysis of pre-accession aid spending in terms of fields of action funded and regional distribution of funds can be provided on the basis of the policy database established by ESPON project 2.2.2. As far as available, data on PHARE, PHARE CBC, ISPA and SAPARD spending has been collected for all Candidate Countries and new Member States as well as data on pre-accession aid instruments in Malta and Cyprus. Information on programmes and projects recorded include the amount spent, year of financial allocation, field of action within pre-accession programme, regional level of allocation and short description of the projects' contents. Furthermore, each project/programme has been related to the regional potential most importantly addressed by the implementation of the project/programme.[12] Although the database has been considerably improved since the last Interim Report of ESPON project 2.2.2, some problematic issues concerning data availability as well as data recording continue to exist as pointed out in the respective chapter in part I.

The following section provides an overview on pre-accession aid spending based on the improved ESPON project 2.2.2 database and thus gives an up-date of information given in the 3rd Interim Report of ESPON 2.2.2.[13] First pre-accession aid spending on national level will be reviewed, followed by spending on regional level. Data is provided for the period 1998-2002, since for these years data is mostly complete and comparable between countries. Since for the below impact analysis only the period 1998-2000 is taken into account due to methodological considerations, data review in this chapter is already separated into the periods 1998-2000 and 2001-2002. Moreover,

[12] See Kujath, H.J.; Kunkel, K.; Zillmer, S. et.al. (2003): *Pre-accession Aid Impact Analysis.* 2nd Interim Report to ESPON Project 2.2.2., p. 131f. for detailed information on the chosen relations.

[13] IRS et.al. (2004) chapter 8.2

this allows for a tentative analysis of development trends of pre-accession aid priorities over time. Data for Malta and Cyprus is provided for the period 2000-2002 which is however subsumed under the period 1998-2000 to enable comparability with the other countries in the quantitative analysis. In addition to the analysis provided in the TIR, data now includes SAPARD and is therefore integrated in the aggregated data analysis.

6.2.1 Pre-Accession Aid Spending on National Level

The following sub-sections concentrate on overall pre-accession aid spending, not differentiating between regions nor between national and regional projects and programmes. Thus, this section provides an overview over pre-accession aid from different points of view, which puts these programmes in the right light for the following analysis of regional allocation, which in turn is the basis for the genuine impact analysis.

6.2.1.1 Pre-Accession Aid Spending According to Programmes

Allocation per country roughly mirrors the size of the countries in terms of population. Accordingly in the period 1998-2000 Poland has received by far the largest amount of pre-accession aid followed by Romania as can be seen from Table 6-5. The relative shares of pre-accession aid programmes in total allocations vary between countries, but in all countries PHARE was the dominant programme in the period 1998-2000. PHARE CBC allocation comprised a relatively large share of total allocation in Bulgaria and Slovenia while the programme had relatively low importance in the three Baltic States.

Table 6-5 shows, that obviously total pre-accession aid allocation increased in the period 2001-2002 as compared to the 1998-2000 period. In some countries allocation roughly even doubled. Furthermore, considering annual allocations these figures result in considerably higher average annual allocations in the years 2000 and 2001 as compared to the earlier years. The increasing funds in the period 2001-2002 were mainly the result of highly increased ISPA funds. In almost all countries ISPA became the most important programme in financial terms in the period 2001-2002 and ranked closely behind PHARE in the remaining countries. This can be mainly explained by the introduction of ISPA with allocations in most countries starting only in 2000. Total ISPA funds in the years 2001-2002 even slightly exceeded PHARE funds – without PHARE CBC – in the same period. In addition, as of the above mentioned implementation problems of the SAPARD programmes, the respective funds were not allocated before 2001 at all, which implied further annual increases as compared to the earlier period.

Table 6-5: Total Pre-Accession Aid According to Programmes in Mio. €

	1998-2000				2001-2002				
	ISPA	PHARE	PHARE CBC	Total	ISPA	PHARE	PHARE CBC	SAPARD	Total
BG	116.0	169.3	120.0	405.4	199.4	156.2	56.1	140.4	552.0
CY	-	-	-	31.7					
CZ	69.7	74.1	27.9	171.7	147.4	145.7	37.3	3.3	333.6
EE	29.1	67.6	8.7	105.5	92.2	97.6	6.0	42.3	238.1
HU	94.1	229.1	43.0	366.3	179.1	162.2	38.0	52.3	431.6
LT	52.3	137.5	12.3	202.2	111.6	105.4	6.0	117.5	340.6
LV	46.7	98.2	8.4	153.3	93.6	65.7	6.0	93.0	258.4
MT	-	-	-	22.3					
PL	307.0	812.5	142.4	1261.9	784.6	776.8	110.0	407.8	2 079.3
RO	242.2	376.8	29.9	648.9	502.2	511.4	26.0	416.5	1 456.0
SI	19.4	47.3	24.4	91.2	32.7	56.2	13.6	17.3	119.8
SK	50.3	144.8	28.2	223.3	92.0	100.6	24.0	33.3	249.9
Total	1 027.0	2 157.4	445.1	3 683.5	2 234.8	2 177.8	323.1	1 323.6	6 059.3

Source: IRS calculation

* Data for Malta and Cyprus refer to the years 2000-2002 but are subsumed for comparability reasons under the first observation period 1998-2000.

6.2.1.2 Pre-Accession Aid Spending According to Potentials Addressed

Priorities of pre-accession aid in terms of potentials addressed are given in Table 6-6 and Table 6-7 for the two reference periods. Three dominant priorities can be distinguished for the total spending, that represent at the same time the dominant priorities in most countries: measures addressing the geographical position, the environmental quality and the institutional capacity. In both periods these three priorities account for about 80% of total spending for measures addressing the geographic position being the most dominant. Due to the introduction of ISPA the share of environmental projects increased in the period 2001-2002 as compared to 1998-2000 while institution building lost in relative importance. Furthermore, the implementation of SAPARD programmes implied roughly doubling shares of the measures addressing the capital supply and regional market potential,

which formerly used to show particular low shares of pre-accession aid activities.

Table 6-6: Percentage of Total Pre-Accession Aid Spending 1998-2000 Addressing Different Regional Potentials/Bottlenecks

	Capital supply	Environment	Geographic position	Innovation	Institutions	Labour market	Regional market	Urbanisation/ Localisation
BG	4.3	14.3	46.4	0.4	30.0	3.0	1.2	0.3
CZ	7.6	29.6	24.2	1.1	21.9	3.4	12.2	0.0
CY*	3.5	6.6	1.9	0.0	69.3	0.0	18.7	0.0
EE	0.0	37.9	16.9	0.9	30.4	12.7	0.3	0.9
HU	0.9	19.1	29.1	0.0	40.4	5.1	0.8	4.6
LT	2.5	23.2	27.8	0.0	30.3	3.9	12.3	0.0
LV	3.5	31.0	24.2	0.0	26.3	3.4	4.5	7.2
MT*	0.0	0.0	4.5	0.0	80.7	14.8	0.0	0.0
PL	5.8	19.7	37.4	0.8	12.5	10.2	3.7	9.8
RO	1.9	20.4	30.4	0.0	38.6	3.3	0.0	5.4
SI	3.8	28.6	10.5	0.3	38.7	4.1	1.1	13.0
SK	12.7	23.5	20.8	0.0	31.9	3.9	5.4	1.9
Total	4.4	21.0	31.9	0.4	27.0	6.2	3.4	5.6

Source: IRS calculation

* Data for Malta and Cyprus refer to the years 2000-2002 but are subsumed for comparability reasons under the first observation period 1998-2000.

Table 6-7: Percentage of Total Pre-Accession Aid Spending 2001-2002 Addressing Different Regional Potentials/Bottlenecks

	Capital supply	Environment	Geographic position	Innovation	Institutions	Labour market	Regional market	Urbanisation/ Localisation
BG	14.6	20.6	26.6	1.0	15.7	4.9	16.7	0.0
CZ	5.9	33.6	25.5	1.1	26.3	2.5	5.2	0.0
EE	10.1	25.6	18.5	1.3	30.9	3.6	7.6	2.4
HU	12.5	26.3	23.6	3.1	22.4	8.7	1.4	2.1
LT	8.0	22.4	16.8	0.2	19.3	3.7	26.6	2.9
LV	27.0	17.2	23.8	0.0	15.8	4.0	12.3	0.0
PL	9.5	23.6	33.6	0.3	11.7	7.1	7.1	7.0
RO	1.3	18.4	47.8	0.0	20.0	7.5	3.8	1.2
SI	7.5	21.0	17.5	1.3	34.8	5.2	7.3	5.4
SK	12.3	21.3	29.9	8.2	11.5	4.2	9.8	2.8
Total	8.8	22.4	32.8	0.9	17.4	6.3	8.1	3.3

Source: IRS calculation

In the period 1998-2000 the share of institution building measures was considerably above average in Hungary, Romania and Slovenia while Poland directed a relatively low share to this priority. Also special instruments for Malta and Cyprus showed a clear focus on institution building. In comparison to average shares, the improvement of the geographic position was of lower importance in the small countries Estonia, Slovenia and Slovakia and especially Malta and Cyprus but of higher importance in the largest countries, i.e. Poland and Bulgaria. This can very much be attributed to large scale transport infrastructure measures necessary in the more spacious countries.

"Soft" measures addressing the innovation capacity, the labour market or the urbanisation/localisation potential were of minor importance in terms of financial allocations in all countries. However, Poland as the country receiving the highest total amount of funding and thus having a large scope of action emphasised these "soft" fields of action somewhat above average.

6.2.2 Pre-Accession Aid Spending on Regional Level

For analysing spatial objectives, however, it is necessary also to analyse pre-accession aid spending on regional level. In order to do so, first regional allocated pre-accession aid has to be separated from the funds allocated at national level. Though funds spent on national level can also affect the regional level, only funds directly allocated to regions allow for conclusions on regional priorities and for regional impact assessment. Table 6-8 shows the shares of funding allocated to regional respectively national level for the two periods 1998-2000 and 2001-2002. For reasons of data availability and comparability the regional NUTS 2 level is used in the larger countries[14] (Poland, Czech Republic, Hungary, Romania and Bulgaria) and the NUTS 3 level in the smaller countries (Estonia, Latvia, Lithuania, Slovenia and Slovakia). Since attributing policy data to the regions concerned formed one of the major problems for establishing the ESPON project 2.2.2 database following data has to be regarded with reservation (see chapter on data gaps in part I). Nevertheless regionalised pre-accession aid data is the prerequisite for further analysis on spatial impacts, though interpretations should regard the data constraints.

In the period 1998-2000 the share of funding allocated on regional level varies between the countries from roughly one fifth in Bulgaria to three quarter in the Czech Republic. Also in many of the small countries shares of regionally distributed funds are mostly rather low. To large extents, this is due to these countries' status as one single NUTS 2 region, in which regional issues are of lower relevance than in larger countries. In addition to the different country sizes, the higher shares of pre-accession funds for regional measures in Poland and the Czech Republic can be explained by the relatively advanced institution building on national level in these countries at the end of the 1990s. The high share of regional allocation in Estonia, however, can be attributed to a comparably high share of ISPA funds, which measures were mostly regionally targeted.

In total, a shift towards more regionally targeted measures can be observed for the later period under consideration, which can be attributed to advanced institution building as well as to the implementation of ISPA and SAPARD programmes. Generally, also in 2001-2002 the lager countries allocated a higher share of total funding to the regional level than the smaller ones, but significant changes can be observed for some individual countries. For Bulgaria the share of regional funds more than tripled and in Slovakia the relation between national and regional shares was more than reversed. Poland still shows a high share of regional funds in this period while the

[14] See also the respective section on data problems in the first part of this report.

share of regionally allocated funds seems to have significantly decreased in the Czech Republic from 75% to slightly over 50%. However, a different data source had to be utilised for the Czech policy data for 2000-2002, which did not include as much regional information as the formerly used data source. Thus, regional shares can also be assumed to be much higher in the Czech Republic for the later period as well.

Table 6-8: Total PHARE, PHARE CBC and ISPA Spending According to Spatial Level Addressed

	1998-2000			2001-2002		
Coun-try	Total pre-accession aid in Mio. €	% of pre-accession aid allocated on national level	% of pre-accession aid allocated on regional level	Total pre-accession aid in Mio. €	% of pre-accession aid allocated on national level	% of pre-accession aid allocated on regional level
BG	405.4	79.3	20.7	552.0	31.3	68.7
CY	31.7	100.0	0.0	-		
CZ	171.7	25.0	75.0	333.6	47.8	52.2
EE	105.5	43.7	56.3	238.1	45.1	54.9
HU	366.3	57.1	42.9	431.6	53.9	46.1
LT	202.2	66.1	33.9	340.6	41.5	58.5
LV	153.3	65.6	34.4	258.4	76.6	23.4
MT	22.3	100.0	0.0	-		
PL	1 261.9	31.9	68.1	2079.3	29.1	70.9
RO	648.9	58.1	41.9	1456.0	37.7	62.3
SI	91.2	61.3	38.7	119.8	47.4	52.6
SK	223.3	58.2	41.8	249.9	34.4	65.6
Total	3683.5	49.4	50.6	6059.3	38.1	61.9

Source: IRS calculation

The following section gives an overview on pre-accession aid spending on regional level in terms of levels of spending and regional potentials addressed. Therefore, the analysis only refers to the shares of total funds

assigned to the regional level in above Table 6-8. For comparability reasons, again both analysis periods are displayed.

6.2.2.1 Regional PHARE, PHARE CBC and ISPA Spending as Percentage of Regional GDP

Average annual PHARE, PHARE CBC and ISPA spending as percentage of average annual GDP for the period 1998-2000 is displayed in below Map 6-1. Overall spending levels per region are rather low with the majority of regions receiving no more than 0.4% of regional GDP per year. Although, as mentioned in chapter 4.2, these figures might be below actual allocations – since not all projects could be assigned to the regional level – regional allocations stay far below the absorption capacity defined for the national level as 4%. In many countries spending levels are relatively high in border regions what points out the importance of PHARE CBC programmes. This is especially significant in Poland, where the importance of cross-border programmes in the Lubuskie region is also emphasised by the case study analysis[15]. High spending levels in the Baltic States, however, can not be ascribed to PHARE CBC programmes only, but rather result from large scale projects in several fields. In Estonia a few large scale infrastructure projects in the environmental and transport sector mainly contribute to the high spending levels, while in Latvia large scale environmental infrastructure projects have been funded apart from large economic and social cohesion programmes in Southern and Eastern regions. In Lithuania one very large nuclear safety programme in the Northeast as well as large PHARE regional development projects in the South-Western border regions account for high spending level.

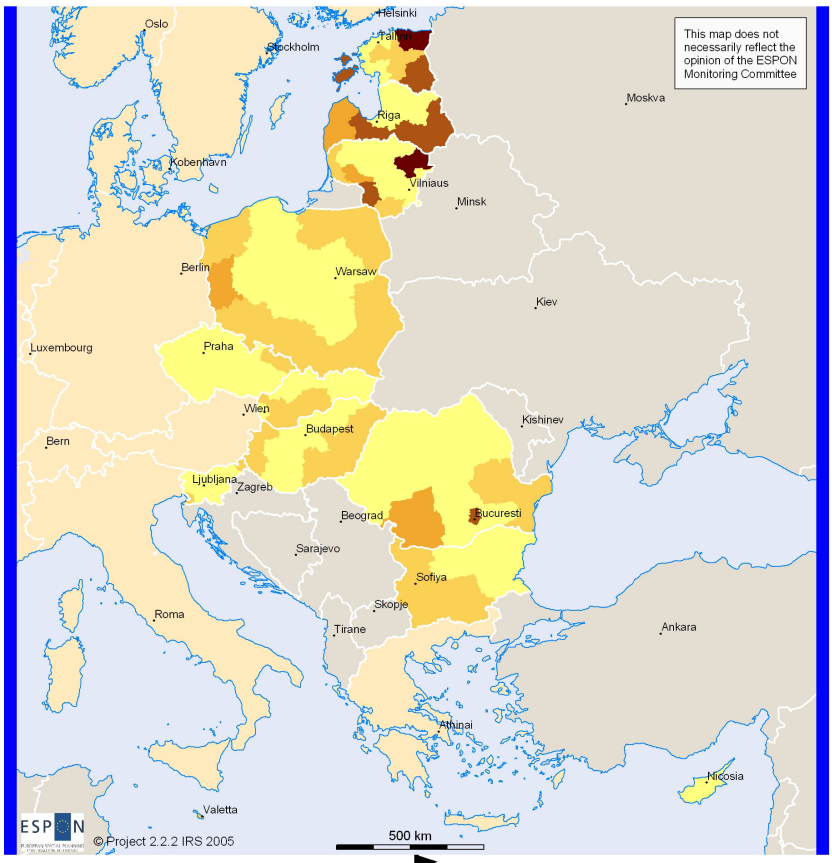
Beside the distinguishing of border regions further conclusions could be drawn by relating the level of spending to the regional typology in terms of urban characteristics (FUAs, MEGAs) developed by ESPON project 1.1.1. This relation is however limited, since often several transnational/national FUAs and regional/local FUAs are located within one NUTS 2 or NUTS 3 region and no data is available on the specific location of pre-accession aid projects. Thus, the picture only reveals reasonable results with regard to regions containing MEGAs, which are in most new Member States and Candidate Countries the capital regions. Bulgaria and Romania are the only countries achieving relative high spending levels in the capital city/MEGA regions. In the respective regions of these countries this is mainly due to a few large scale transport infrastructure projects. In all other countries spending levels rank within the lowest spending category in the regions containing the capital city. However, in Poland, which is the only New Member State with a

[15] Compare case study results in chapter 6.4.

higher number of MEGAs, the picture is less clear, since regions containing MEGAs and at the same time being border regions received funding on a medium level. Considering spatial levels addressed, these results point to a relative low priority for supporting macro level developments, that would be achieved by supporting the regions with MEGAs in Central and Eastern Europe and Malta. By targeting funds to regions containing national/regional or local FUAs the spatial objectives on national and regional level are clearly in the focus of funding.

Regional spending levels in the period 2001-2002 increased in comparison to the earlier period, due to increased total allocations per country and a higher share of funds allocated on regional level as already mentioned above. Average annual spending levels in the years 2001-2002 are presented in below Map 6-2. A comparison of these two maps stresses that the number of regions falling into the lowest category has clearly decreased while at the same time the highest regional spending levels have come much closer to the above mentioned absorption capacity. Nevertheless, as becomes apparent from below Map 6-3, also in 2001-2002, to most regions pre-accession aid was still allocated at a quite low level, as compared with SF allocations in many EU 15 regions, by far not all belonging to the cohesion countries. Furthermore, in the EU 15 similarly low relative intervention levels largely concentrate in regions within the European economic core area (Pentagon), what emphasises the low pre-accession aid intervention level which certainly limits the extent of expectable spatial impacts of pre-accession aid. In addition, it underlines the politically differing situation in, for instance, cohesion and accession countries. Prior to EU accession, the latter did not receive comparable EU support for structural measures.

Map 6-1: Regional PHARE, PHARE CBC and ISPA Spending as Percentage of Regional GDP, 1998-2000



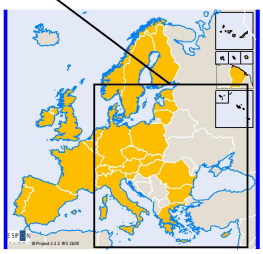
Average annual PHARE, PHARE CBC and ISPA spending 1998-2000 as % of average annual GDP 1998-2000

- 0.00 - 0.20
- 0.21 - 0.40
- 0.41 - 0.60
- 0.61 - 0.80
- 0.81 - 2.53

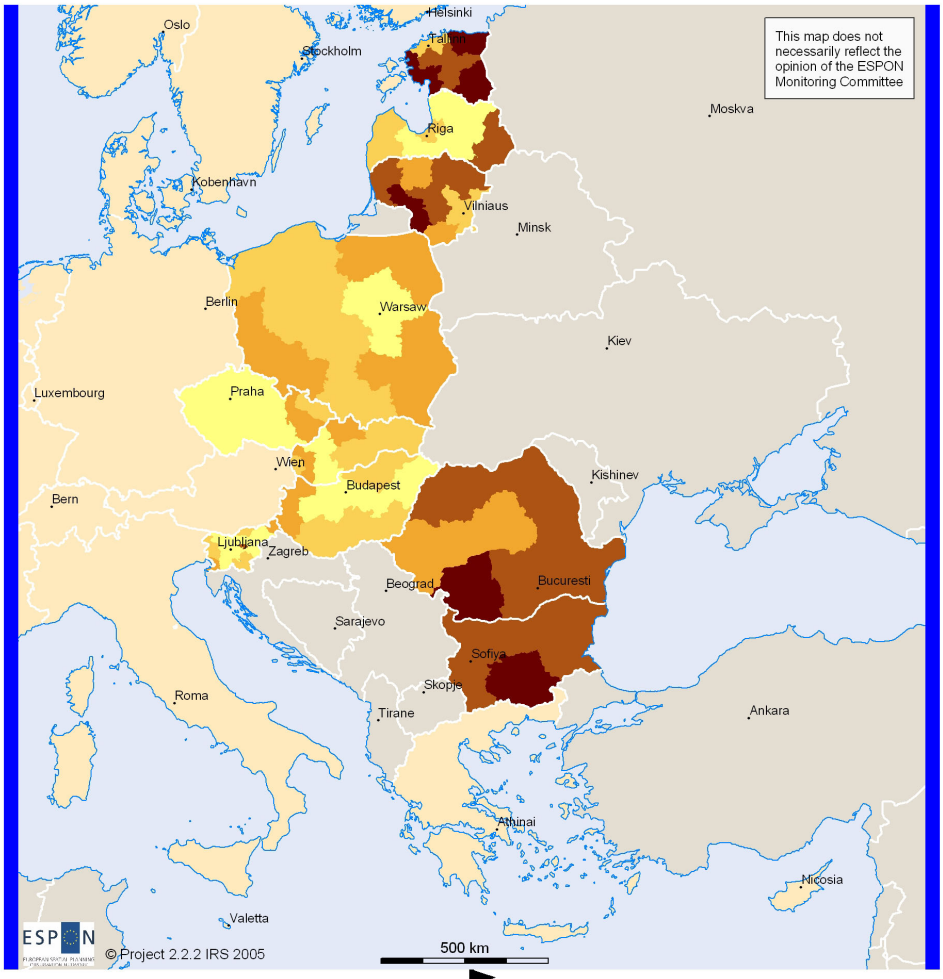
Origin of data: EU 15 and CC's: Eurostat, Norway and Switzerland: National Statistical Offices

Regional level: NUTS 2; except: Estonia, Latvia, Lithuania, Slovenia, Slovakia: NUTS 3

Source: ESPON Database



Map 6-2: Regional Pre-Accession Aid Spending as Percentage of Regional GDP, 2001-2002



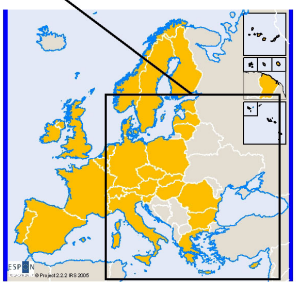
Average annual PHARE, PHARE CBC, ISPA and SAPARD spending 2000-2001 as % of GDP 2001

- 0.01 - 0.20
- 0.21 - 0.40
- 0.41 - 0.80
- 0.81 - 1.50
- 1.51 - 3.77

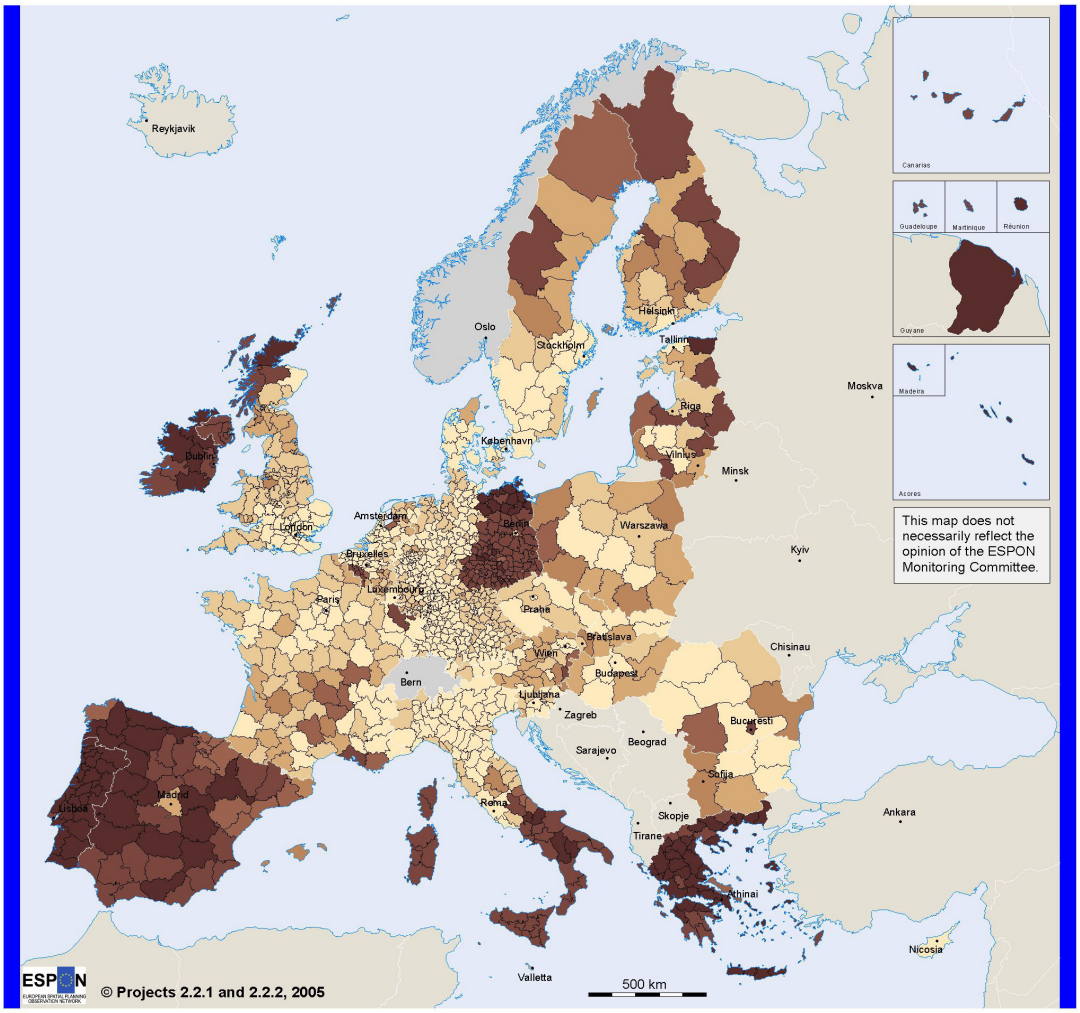
Origin of data: EU 15 and CC's: Eurostat, Norway and Switzerland: National Statistical Offices

Regional level: NUTS 2; except: Estonia, Latvia, Lithuania, Slovenia, Slovakia: NUTS 3

Source: ESPON Database



Map 6-3: Annual average Structural Fund (1995/95-99) and Pre-Accession Aid Spending (1998-2000) as Share of Regional GDP (1999)



Annual average Structural Fund (EU15 1994/95-99), PHARE, PHARE CBC and ISPA spending (New Member States, BG and RO 1998-2000) as a share of regional GDP in Euro (1999)
NUTS2: BG, CZ, HU, MT, PL, RO; all other countries NUTS3

Geograhical Base: Eurostat GISCO

Origin of data: National data collection, Eurostat-Regio

Source: Nordregio, IRS, ESPON database

- > 1.2 %
- 0.6 – 1.2 %
- 0.4 – 0.6 %
- 0.3 – 0.4 %
- 0.2 – 0.3 %
- 0.1 – 0.2 %
- < 0.1 %

The increase of regional spending levels is particularly high in Bulgaria and Romania, as could be expected from above Table 6-8. This increase is mainly due to the introduction of ISPA supporting a few large scale projects in the environmental and transport sector which amounted to up to 60 Mio. € in some specific regions. Also in the Baltic countries high regional spending levels in the Baltic States are the result of large scale environmental and transport infrastructure projects now mainly funded by ISPA. Case study analysis on the ISPA environmental strand in Estonia revealed however, that

these indicative allocations are far above yet actually disbursed funds and so far only a few ISPA projects have been completed or even only partly completed. High levels of indicative allocations as shown in Map 6-2 can therefore only be translated into corresponding spatial impacts if the respective measures have been completely realised.

While spending levels have been again relatively high in many border regions, which is again mainly due to the measures undertaken under PHARE CBC, they do not dominate regional spending levels as strongly in the latter period as in the earlier observation period. Similarly to the 1998-2000 period also in 2001-2002 the regions with MEGAs usually were among the regions with the lowest regional allocation – with the exemption of the non-capital MEGAs in Poland. However, when interpreting spatial impacts of pre-accession aid, it has to be recognised, that usually the capital regions profit from nationally allocated resources to a larger extent than other regions, as many of these measures are related to national institution building, which in most countries is concentrated on the capital region.

6.2.2.2 Regional PHARE, PHARE CBC and ISPA Spending According to Potentials Addressed

To give a rough overview on fields of actions supported on regional level, total allocations have been divided into three categories: measures addressing the environmental quality, measures addressing the geographic position and measures addressing human and business resources. The latter subsuming all other fields of action (measures addressing e.g. the labour market, the innovation capacity, institutional conditions etc.). Maps on the shares of each of these three fields are provided in the Annex (maps 19-8 – 19-13). This relative measure has been selected rather than an absolute measure in order to stress the regional emphasis independent of overall regional pre-accession aid allocation level. As of this kind of measure, the three maps for the different potentials for either of the analysis periods are complementary to each other. A more detailed analysis of fields of actions / potentials addressed by pre-accession aid spending is conducted in the following chapter on the quantitative impact analysis.

In both periods the share of funds of total regional allocations addressing the geographic position (mainly investments in transport infrastructure) differed strongly between the regions. However, regional shifts could be observed between the two periods under consideration. In 1998-2000 the priority of support for transport infrastructure was notably high in the capital regions of many countries. Furthermore, in Poland this focus extended to basically all border regions to different extents, leaving only the interior regions of Poland with a very different focus of pre-accession aid. However, this

means, that in the earlier period, there were some regions with MEGAs which did not receive comparable funds for transport infrastructure investments as the capital regions but concentrated on other potentials only. This also holds for some other regions like some Western border regions (e.g. in the Czech Republic) and some rural Eastern regions (e.g. in Bulgaria and Romania). Despite the still obvious differences in regional concentration on measures addressing the geographic position in 2001-2002, patterns within the countries appear to show less variation. In this latter period, also some non-capital regions have put higher emphasis on transport infrastructure investments, while at the same time fewer regions have spent more than three quarters of their regional pre-accession aid on this potential. In addition, the number of regions without any such investments has also decreased. Therefore, in some regions priorities have shifted significantly, yet, there is no clear pattern regarding the different types of regions.

As of the high priority of measures addressing the environmental quality they also show quite strong differences between the regions. Shares of these kind of pre-accession aid have been particularly high in many regions of the Baltic States, Slovakia and Romania in 1998-2000. Apart from Latvia and very few other regions, for the latter period 2001-2002 regional focus on the environmental quality seems to be less strong. No clear relation can be observed between the share of funding and the type of region for either of the periods. However, since measures addressing the environmental quality include mainly improvements of municipal infrastructure (waste / waste water treatment, sewerage systems) shares of funding tend all in all to be higher in rather rural regions than in regions endowed with large agglomerations. This can be assumed to be due to the poorer status of original endowment with such infrastructures resulting in a larger demand for catching-up in rural areas as compared to the regions with MEGAs. Some of the old industrial regions show a relatively high, though not outstanding, share in either of the periods. Similarly to the measures addressing the geographic position also with regard to the funds for improvements of the environmental quality some regions show strong shifts in priority setting.

The share of funds addressing human and business resources is in general lower but more homogenous amongst the regions in comparison to the aforementioned infrastructure investments. In 1998-2000 only in a few regions over 50% or even over 75% of the regional allocations were spent on these “soft” measures. Also only in a few regions there was no allocation at all addressing human and business resources. In particular many regions in the Baltic States showed no allocations in these fields, thus these regions directed all funding to infrastructure investments. These differences between

regions appear to be even less pronounced for the 2001-2002 period, where only Latvia did not spent any pre-accession aid funds on the respective potentials. Especially the central European countries Czech Republic, Slovakia, Hungary and Slovenia seem to put growing emphasis on measures addressing human and business resources. Looking more into detail, the most diverse structure of interventions subsumed under this category of human and business resources can be observed in Poland, Slovenia and Hungary, where in many regions funds were spent on several fields of action. In contrast, in many regions only one field of action has been addressed (e.g. institutional capacity, labour market or urbanisation and localisation).

6.3 Quantitative Impact Analysis

As described in the methodology section, the quantitative impact analysis divides between different analytical steps, some of which provide preparatory steps for the impact analysis rather than a real impact assessment. However, as of the limitations due to data gaps (see Part 1) and other difficulties to be expected, these preparatory steps seemed to be necessary, first, to gather a sound overview on national and regional relations between pre-accession aid spending[16] and regional potentials and characteristics as well as their development in order to bring together reliable knowledge for policy recommendation development, and second, to build drawbacks for insignificant outcomes in the core impact analysis. The expected problems are related to different issues as stressed in the 2nd and 3rd interim reports of ESPON project 2.2.2. Thus only the most inherent issues are described shortly in the following.

First of all, an impact assessment should be related to general economic indicators which can describe the regional or national situation with respect to the objectives set. However, these indicators, e.g. GDP per capita or unemployment rate for the cohesion objective or productivity for the competitiveness objective[17], do not response immediately after political interventions but often take time lags of a few years[18]. As of the short time span of PHARE and pre-accession aid measures under consideration, global indicators can not be expected to have reacted on these measures yet.

[16] Throughout the whole analysis only for the smaller countries policy indicators are given for NUTS 3 regions, i.e. for the Baltic countries, Slovenia and Slovakia. Policy indicators for the larger countries have been calculated only on NUTS 2 level, as of methodological problems. See methodology section 'Spaces and Spatial Levels under Consideration'.

[17] For more information see the methodology section.

[18] For the rationale of time lags, especially with regard to public spending see for instance Dornbusch, Fischer (1989: 437-444).

Therefore, it is quite important not only to look at global but potential indicators as well.

This leads to the second inherent problem: the level of regional allocation of PHARE and pre-accession aid policies. They are no original territorial policies but primarily aimed at the 'new Member States' and Candidate Countries' preparation for EU membership. Even for the end of the 1990s, in some countries significant shares of total EU funds have been allocated to the national rather than regional level. This makes a territorial impact assessment of the respective policies the more difficult. This holds the more, as of the low level of intervention as compared to e.g. SF in Objective 1 regions within the EU 15.[19]

Together with other influences, such as national policies, changes of national frameworks etc., this low intervention level represents another problem to the impact assessment. Impacts of PHARE and pre-accession aid are likely to go unrecognised because of the existence of other effects upon global indicators, whether they affect them in the same or opposite direction. Thus, in the analysis under way, insignificant coefficients in regression analysis do not necessarily mean that the policies under investigation are unnecessary or without intended influence at all.

Finally, the quantitative impact assessment has a general methodological shortcoming, as it does not include side effects. However, PHARE and pre-accession aid can be expected to have a number of such side effects in both, institutional and financial terms. Consequently, these effects would have to be included for an impact assessment of the EU policies under consideration. Nonetheless, the necessary separation of these national and regional effects is not feasible for the whole space of the new Member States' and Candidate Countries' territory. That's why they have to be remembered for appropriate conclusions and the development of policy recommendations but cannot be distinctly included in the quantitative impact assessment. Furthermore, they are taken account of in the qualitative impact assessment instead.

The main results of the quantitative impact analysis will be discussed in the following sections on the basis of the pre-accession aid[20] spending between 1998 and 2000. In the first step, pre-accession aid spending is related to the respective potentials at the beginning of the observation period. So-called double indicators are used for the next step in the below provided assessment. This allows to relate the policy input of a specific period to the respective potential indicators' change over the same period, though not

[19] For a comparison of respective intervention levels see e.g. Kujath, Kunkel, Zillmer (2003: 63-64, 111-130) and Nordregio (2003: 82-83).

[20] In the following, for simplification reasons often only pre-accession aid is mentioned, however, referring to both, pre-accession aid and Phare.

giving an analytical relationship. In further preparation of the impact assessment, the change of regional economic performance in relation to total pre-accession aid spending is depicted, providing also a comparison with the development and SF spending in the EU 15. This section then sums up with results on correlation and regression analyses.

Within the following subsections, as far as different potentials are under consideration, special reference will be made to the labour market potential for two reasons. Firstly, for the labour market potential two different quantitative indicators are available, which allow for a more comprehensive analysis with respect to this one rather than the other potentials. And secondly, although most countries have spent comparatively low shares of their pre-accession aid funds on improvements of the labour market potential, this seems to be of importance for the developments under the Lisbon and Gothenburg strategies. Furthermore, the more detailed provision of the results for one potential also allows for better understanding of the other main results which are only shortly described and for which the maps and figures are mostly provided in the annex.

6.3.1 Relation between PHARE/Pre-Accession Aid Spending and Potentials

Because of the quite differing intervention levels between the countries under investigation, location quotients of policy intervention are mapped with the potentials rather than spending related to regional GDP or per inhabitant. These quotients point out, whether a region has received below, above or about average pre-accession aid for the respective potential as related to national average spending on the respective priority. Consequently, the corresponding maps show, whether regions with one or another potential received the matching pre-accession aid or regions showing a respective bottleneck. Thus, these maps suggest whether pre-accession aid allocation is used for improvement and utilisation of existing potentials or aims at the reduction of existing bottlenecks.

In addition, these relations are also provided in figures in the annex giving the exact figures of the respective potential and policy indicator values. This specific kind of graphical presentation allows for different and more detailed insights into the policy-potential relation. This way, it becomes e.g. more obvious in how far certain kinds of regions, such as Western border regions, receive similar support and how each country's allocation differentiates between different kinds of regions within the country's territory. Furthermore, the depiction of the regional share of pre-accession aid addressing one or another potential in percentage of total regional pre-

accession aid also allows for an international comparison of regional priorities.

6.3.1.1 Labour Market Potential

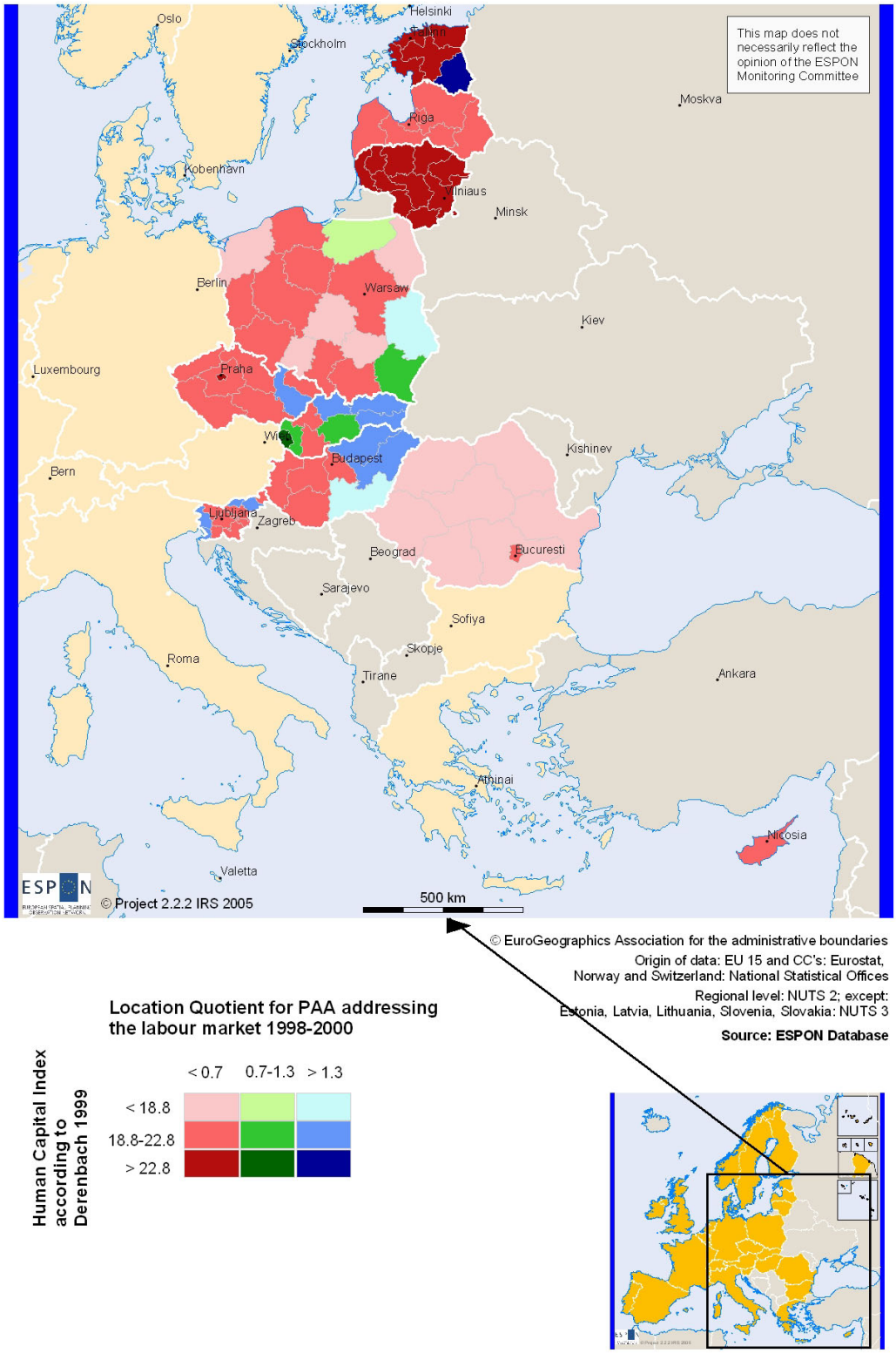
In below maps the labour market potential is depicted in terms of the Human Capital Index (HCI), as developed by Derenbach (2002) and in terms of the active population, each at the beginning of the observation period for the pre-accession aid allocation.[21] As far as possible, the potential is depicted for the beginning of the observation period, in order to relate policy initiatives to the initial regional situation. The policy allocation can be measured by two slightly different indicators. Firstly, the percentage allocation addressing labour market potential improvements as share of total regional allocation revealing the regional priorities in international comparison – thus relating to the macro level – which is provided as separate figure in the annex. And secondly, the respective location quotients showing the regions with above respectively below average national pre-accession aid allocation with regard to the labour market potential, which aim at meso level analysis.

Chart 19-1 in the annex reveal a more differentiated indication of PAA and HCI values rather than the map, however, spatial location is more easily noticeable in the map. Map 6-4 as well as the related figures clearly show, that the majority of regions has not received any respective PAA for the period under consideration. Few regions have received a far above national average allocation for support of the labour market, among them in Slovenia especially some border regions to the EU 15 and in Slovakia the Eastern regions. In the other countries with such a priority of PAA spending, it tends to be concentrated on rather peripheral and Eastern regions, mostly less well off in many respects than the more central regions of these countries. This differentiation already indicates the varying spatial concentrations in the different countries.

With regard to the active population density Map 6-5 shows, that the regions with the highest density, usually the capital regions of the respective countries, have received little or none PAA addressing the labour market potential. However, among the remaining regions with lower active population density than in the capital regions, hardly a distinction is possible (see also Annex chart 19-2).

[21] In case of the HCI data from 1999 instead of 1998 have been utilised, since the 1998 data have not been widely available for the new Member States and Candidate Countries.

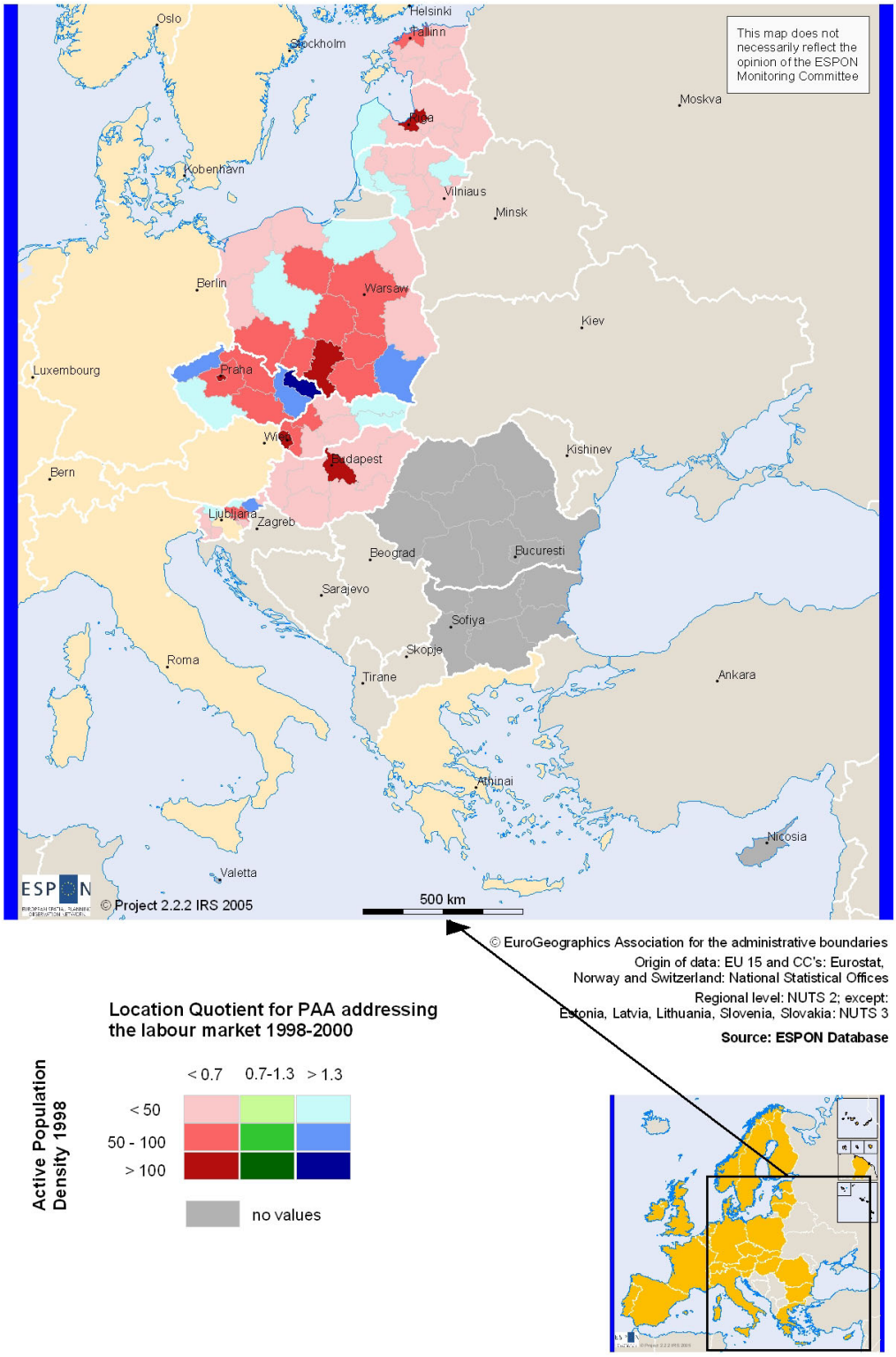
Map 6-4: Location Quotient of Pre-Accession Aid Addressing the Labour Market between 1998 and 2000 and the Human Capital Index 1999



Overall, these maps and figures stress the significant differences in regional PAA labour market allocation variation between countries. For example in Poland a medium variation in PAA allocation coincides with relatively high variance of HCI levels and differences in population density. Highest labour market support through PAA has been allocated to the Eastern Polish border regions, which show relatively low HCI levels and are mostly among the Polish regions with the lowest active population. However, in the Czech Republic PAA variation addressing the labour market has been much lower with hardly any differences in potential endowment concerning the HCI.

Nevertheless, in general, there seems to be a tendency of concentration of labour market oriented funds in more peripheral regions of the new Member States, which are usually less well supplied with human capital than more central regions. Thus, this allocation is in line with the earlier mentioned cohesion orientation of the PAA and by this trying to reduce bottlenecks rather than to utilise potentials. Furthermore, in most cases high levels of HCI coincide also with other potentials like high population density and relatively high accessibility. Where these measures have targeted regions with low HCI and/or low active population density, like in Eastern peripheral regions, these bottlenecks often coincide with other bottlenecks as well resulting usually in little if any economic effects as will be shown further below.

Map 6-5: Location Quotient of Pre-Accession Aid Addressing the Labour Market between 1998 and 2000 and Active Population Density 1998



6.3.1.2 Capital Potential

Since no better indicator for the regional capital potential is available, the regional GDP per capita has been utilised, to provide at least some insight into this potential, which is particularly important for business development. However, as the commercial banking systems still have been in their development processes, it can be assumed, that regional capital availability, at least at the end of the 1990s, still has been dominated by the region's own capital rather than interregional and international financial transfers. In particular, this is the case for rural and peripheral regions, while for the capitals of the new Member States and Candidate Countries this can not be assumed because of their stronger involvement in the international economy.[22]

The corresponding map 19-14 and chart 19-3 in the Annex again show different priorities between the countries. Concentration of capital supply oriented measures can be found in both, regions with relatively high and relatively low income levels. At the same time, spatial dispersion of such concentration differs strongly between countries, as for instance in Poland such concentration can be found in regions in the vicinity of a strong agglomeration, while e.g. in Slovakia this applies to Eastern peripheral regions.

6.3.1.3 Regional Market Potential

Measures for the regional market potential, though not many regions at all have spent funds on this issue, do not seem to be related to the market potential in terms of population density at all (see respective map 19-15 and chart 19-4 in the Annex). In most countries, however, especially high shares concentrate on different kinds of peripheral regions. E.g. in the Czech Republic basically Western and Eastern border regions tackled this potential most strongly. Thus, this potential has been dealt with in regions which either have a specific potential in this respect from their spatial closeness to EU 15 markets or regions which are relatively densely populated due to their location in the old industrialised areas of the Eastern parts of the Czech Republic. Despite the structural problems, these regions, as of their old industries, offer other potentials which are significantly higher than in the more peripheral regions.[23] In other countries the more peripheral regions addressed by such measures often suffer of numerous other bottlenecks, which questions the sustainability of these measures, in particular if the very limited PAA funds only concentrate on this potential not taking account of

[22] For restrictions of capital supply in rural regions see e.g. Arndt (1998), p.146-152 and European Commission (1991)

[23] See also Kujath, Kunkel, Zillmer et al. (2003: 142-173).

other major bottlenecks, like for instance with regard to employment structures.

6.3.1.4 Urbanisation and Localisation Advantages

As in the second interim report of ESPON project 2.2.2, urbanisation potentials are indicated by sector employment shares (Kujath, Kunkel, Zillmer et al. (2003: 173-176)).[24] Like the other priorities of pre-accession aid, also these measures show a high variation between the countries. This coincides with particularly high variations of sector employment in agriculture and to a lesser extent in the service sector, between countries but also between regions of the same countries (see also Annex charts 19-5 – 19-7 and maps 19-16 – 19-18). Especially striking is this feature for the Romanian regions, which, apart of the capital region, show the highest shares of agricultural employment in all countries. At the same time, Romania has not spent any regional funds on this potential at all, though this can be regarded as a very fundamental problem to these regions' development, which tend to be characterised by several bottlenecks.

A very different example from this kind of PAA allocation represents Poland. In most regions with particularly high agricultural employment shares, some priority was given to this potential with respective pre-accession aid allocation, however, simultaneously also addressing other bottlenecks as well, thus taking to some extent account of the accumulation of bottlenecks that hamper regional development. Furthermore, in Poland these funds have also been allocated to industrial rather than agricultural restructuring like in Silesia. Due to the potentials available in Silesia, these measures, if implemented appropriately, can lay the basis for long-term restructuring and development in the region.[25] This the more, as Silesia is located closely to one of the development axis of the Central and Eastern European triangle.

6.3.1.5 Geographic Position

Apart of most capital regions in the new Member States and Candidate Countries, Slovenia and large parts of the Czech Republic show the highest potential of geographic position measured as multimodal accessibility (ESPON project 2.1.1). However, this accessibility indicator not only relates to the respective countries' transport infrastructure but is strongly influenced by the spatial location in relation to the economic centre of the EU 15 (Pentagon). Thus, no region in the new Member States or Candidate

[24] As of the very limited number of comparable variables, other indicators also used in the second interim report for more than one potential, here are only related to potentials other than urbanisation and localisation advantages.

[25] See also the analysis of respective case study in below section 6.4

Countries could achieve very high accessibility. At the same time Slovenia and the Western parts of the Czech Republic are those regions of the countries which are located most closely to the Pentagon as compared to the other regions of the new Member States and Candidate Countries.

The respective chart 19-8 and map 19-19 in the Annex show a concentration of regional projects improving the geographic position especially through transport infrastructure projects. Furthermore, when compared to the other potentials, the important role this kind of PAA has played at the end of the 1990s is stressed. Interestingly, especially regions with a comparatively high accessibility, like the region surrounding the Czech capital, the region encompassing Budapest and also Mazowieckie Voivodship within which Warsaw is located, have put extremely high emphasis on this potential, spending nearly all or total regional funds on improvements of regional transport infrastructure. These investments obviously aim at improvements of the capitals' connection with their surroundings. This way, utilisation of potentials available in this type of region can be improved, further enhancing growth and restructuring not only in the capitals but in their neighbourhood as well.

Here, different priorities can be stressed when looking at the respective PAA distribution in peripheral regions (medium accessibility in the respective map in the Annex), where respective pre-accession aid varies between zero and one hundred percent of total regional allocation. In contrast, the most peripheral regions (low accessibility) have spent predominantly lower shares, and in relation to national priorities mostly below average funds for improvements of the geographic position. In addition, many of these measures in the most peripheral regions certainly represent small improvements for local living standards but are not likely to contribute to regional development in terms of enhancing economic activity.

6.3.1.6 Concluding - Observations Across Potentials

To sum up across all priorities presented in relation to different potentials, but also in the frame of overall potential analysis, pre-accession aid allocation for the reference period shows an extremely wide variation not only in terms of total or relative amounts spent in the regions but also with regard to different priority setting. At the same time these allocations correspond to different respective and overall potential provision. While there are regions, in which potentials seem to have been supported in a way that development impulses could be expected, there are also many cases in which these measures are more likely to represent social transfers which can not be expected to provide for development stimulus, especially since the

development level of many of these regions is particularly low and the level of intervention in money terms is quite low as well.

Therefore, there are not only different approaches observed in the different countries, but also within one country often no straight policy approach can be observed, as sometimes allocation is in favour of support of potentials and in other cases tends to aim at the reduction of one or another bottleneck, obviously not taking account of the simultaneous occurrence of bottlenecks in some types of regions.

Similarly diffuse observations can be made when comparing the potential oriented PAA allocation with the change of the respective potential indicators throughout the examination period.[26] For none of the potentials which could be included in such a dynamic view of the analysis, straight forward results occurred. Instead, these views make even clearer how the different potentials and characteristics of a region, whether quantitative or qualitative, together form the regional performance. This way it becomes also even more obvious that pre-accession funding has been too small to identify a general territorial impact assessment, especially when differentiating between NUTS 3 regions. Nevertheless, the following sub-section provides an overview of the relation between regional pre-accession aid spending and the changing economic performance. This way, the mostly quite small regional potential oriented interventions are aggregated to somewhat more influential amounts.

6.3.2 Total PHARE / Pre-Accession Aid Spending Related to Change of Economic Performance[27]

Total pre-accession aid spending can be related to the change of economic performance in different ways. A country by country relation of regional pre-accession aid spending on per capita basis as compared to GDP per capita levels of different years allows to stress how much pre-accession aid has been spent in a given period in which region and simultaneously indicates whether regions with relatively high support levels have gained more or less GDP per capita growth than regions with lower EU funds' allocation. Furthermore, a corresponding typology relating the policy spending to the change of economic performance can provide summarising results for these developments.

[26] For a detailed analysis putting the potential indicators' change in relation to PAA allocation see the 3rd IR to ESPON project 2.2.2 (IRS et al. 2004: 113-118).

[27] Malta and Cyprus are not considered in the following figures as they represent one region only on NUTS 2 and NUTS 3 level, thus not allowing for regional differentiation within countries at which this section strongly aims.

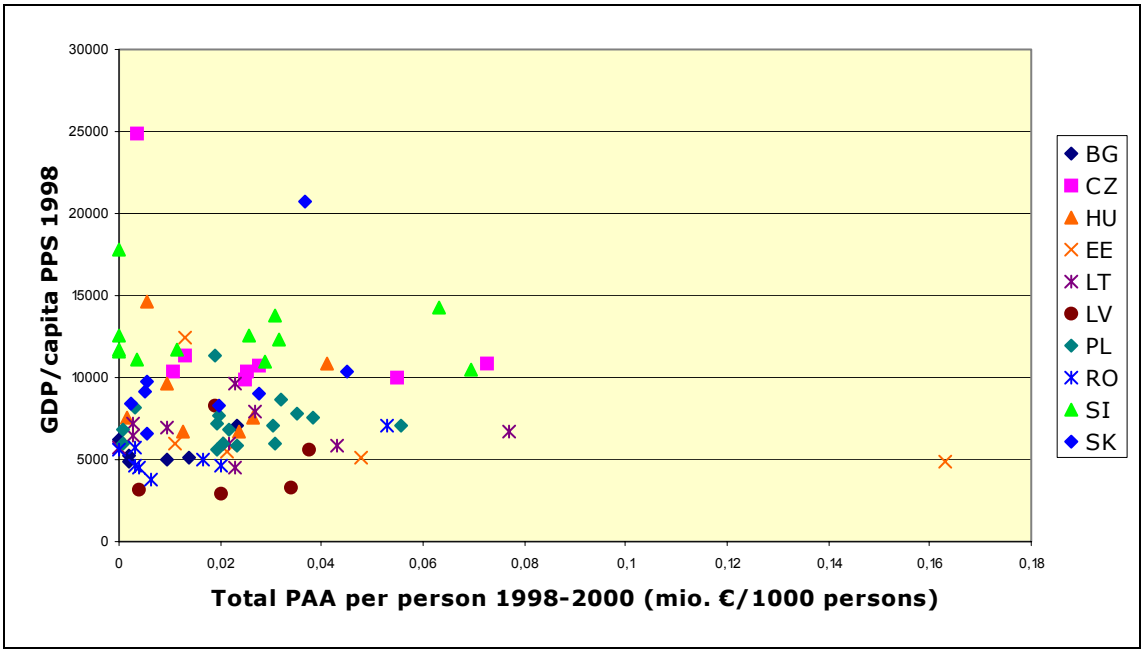
However, this sub-section starts with an overview on the initial situation between regional pre-accession aid spending and GDP per capita levels to make clear how the regions have been related to each other. On this basis the regions' developments can be investigated as described above for both, income and unemployment changes, taking them as two general impact indicators. Generally, policy interventions of the EU aim at social and economic cohesion and are based on the theoretical assumption, that the allocation of public funds can influence economic growth implying, ceteris paribus, higher growth in terms of income and employment the higher the public fund allocation.[28] Thus, theoretically, in regions with relatively high pre-accession aid allocation growth should be higher and unemployment should be either decreasing more or at least increasing less than in regions without or with little pre-accession aid.

6.3.2.1 Cross-Country Overview

At first glance, Figure 6-1 does not indicate any clear relation between the level of regional PAA allocation and regional income level. However, when differentiating between the different countries, it turns out that there are significant differences between the countries. Most countries tend to spend somewhat more PAA in regions with higher income levels while few other countries – in particular the Czech Republic and Estonia – have actually allocated lower funds per capita to the highest income regions than to the other regions. These latter observations are especially of interest with regard to the cohesion and polycentricity objectives of the EC.

[28] See for instance Dornbusch, Fischer (1989: 92-90) or more generally on models for public expenditure Brown, Jackson (1990: pp.118).

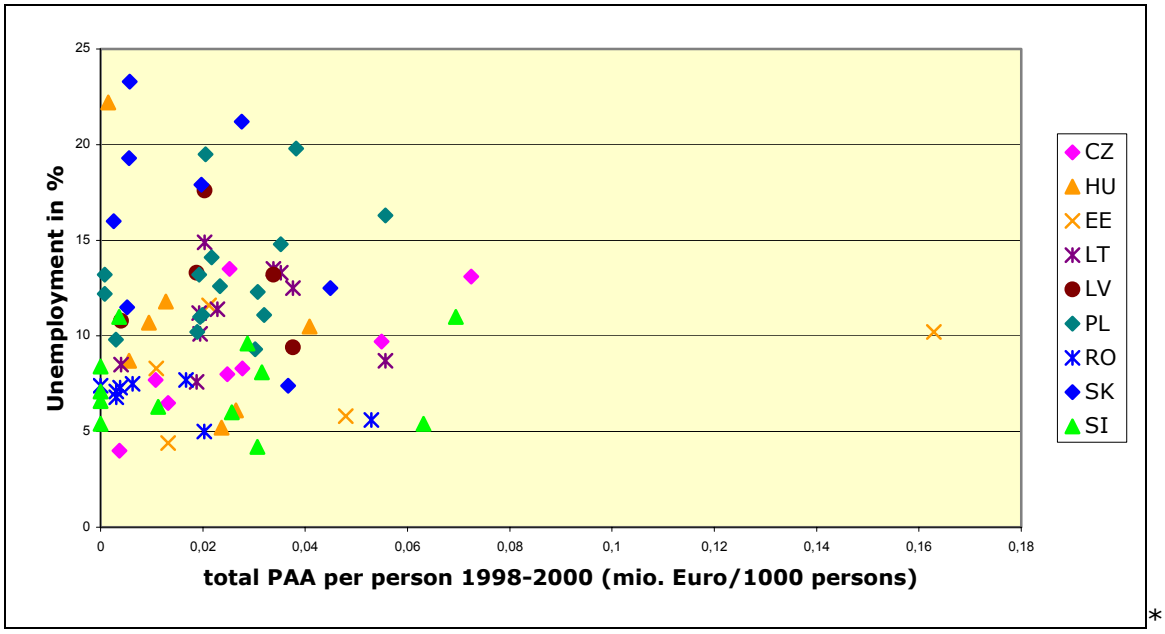
Figure 6-1: Total Regional Pre-Accession Aid Spending between 1998 and 2000 per 1000 Persons in Relation to Regional GDP per capita in 1998



Source: IRS calculation, ESPON Database

These findings can be furthermore complemented with the corresponding relation of PAA allocation to the regional unemployment rate providing additional insights into possible regional priority setting, as given in Figure 6-2. Analogous to the relation to per capita GDP the Czech Republic and Estonia have tended to allocate the lowest funds per capita to the regions with the lowest unemployment. In addition, also Lithuania has widely followed this allocation principle, although this could have happened by chance or intention. However, most other countries show rather ambivalent PAA allocation towards unemployment. Generally speaking, according to the Law of Okun, high GDP growth occurs together with decreasing unemployment rates (Dornbusch, Fischer 1989: 11-13), so one could possibly expect unemployment rates tending to be higher in regions with low income rather than in regions with high income as in the latter it must have grown more strongly after the breakdown of socialism. In several countries this seems to hold only to a limited extend, revealing a somewhat unexpected relation between income and unemployment rates for some regions in some of these countries.

Figure 6-2: Total Regional Pre-Accession Aid Spending between 1998 and 2000 per 1000 Persons in Relation to Regional Unemployment Rates in 1999*



*Unfortunately, for Bulgaria no comparable unemployment data is available as the data for the reference year is lacking.

Source: IRS calculation, ESPON Database

6.3.2.2 Development of Spatial Impact Indicators in Relation to PAA Allocation on Regional Level

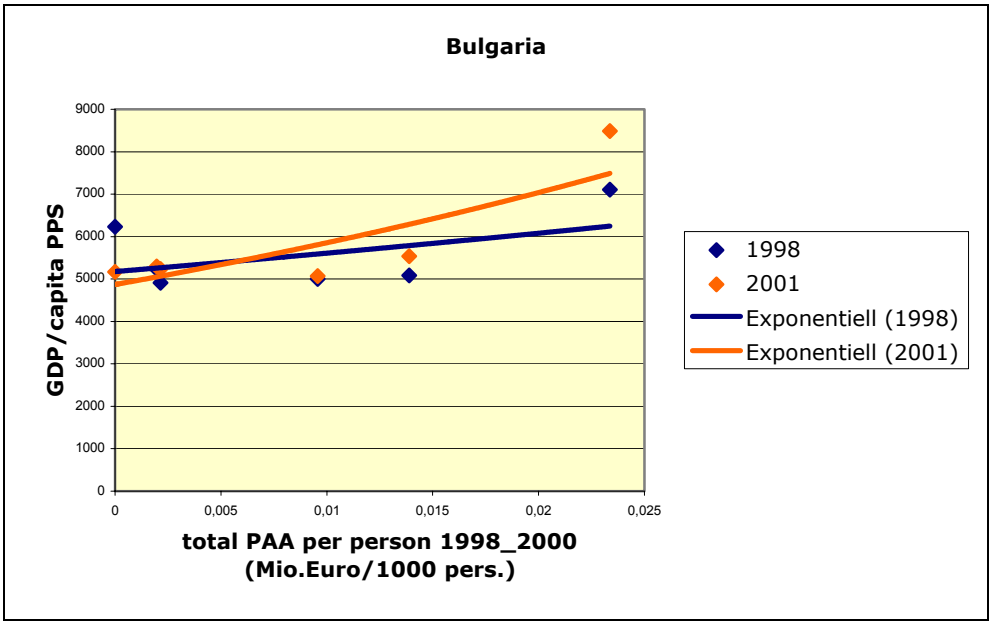
But these findings do not yet answer the question, whether regional performance has increased in the regions with comparatively high levels of pre-accession aid intervention or the other way round. To shed some light on this question, the following charts provide insights for the development of regional per capita GDP and unemployment rates as related to regional pre-accession aid. For comparability reasons, the reference period for the pre-accession aid allocation is once again 1998 to 2000. Because of the time lags to be expected in their effects on GDP per capita and unemployment rates, the latest available secondary data has been utilised for the presentation, i.e. 2001 for the GDP per capita data and 2002 for unemployment rates[29]. To exclude country specific influences on the development of these general economic indicators, e.g. due to different extents of spatial focus, institutional framework or changes in purchasing powers, these

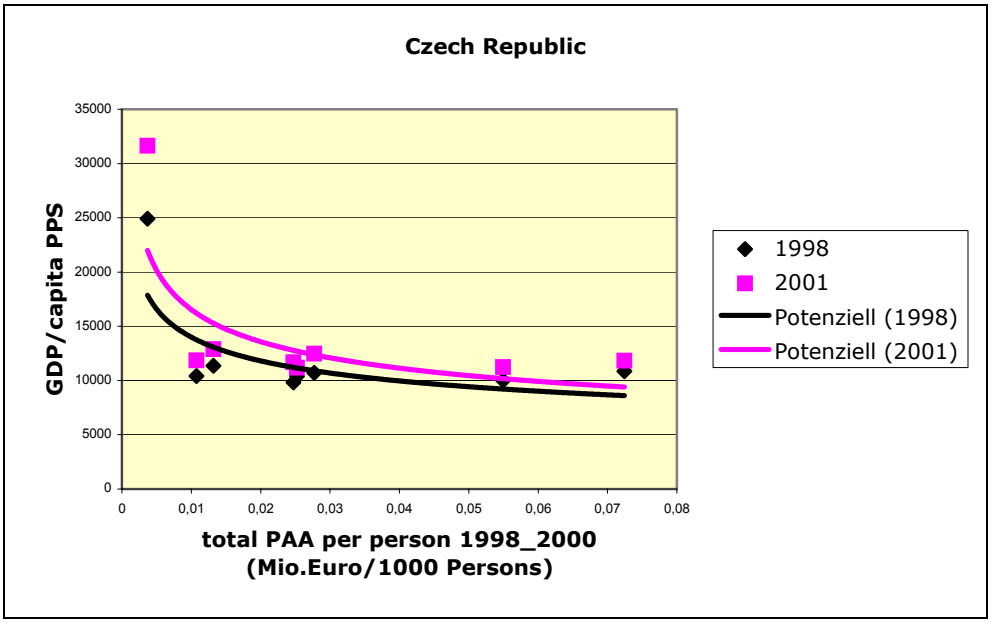
[29] The initial values of GDP per capita and employment rates should correspond to the beginning of the reference period, however, unemployment data – comparable with the 2002 data – has not been available for 1998 but 1999 only. That is why the 1999 data is used here for reference.

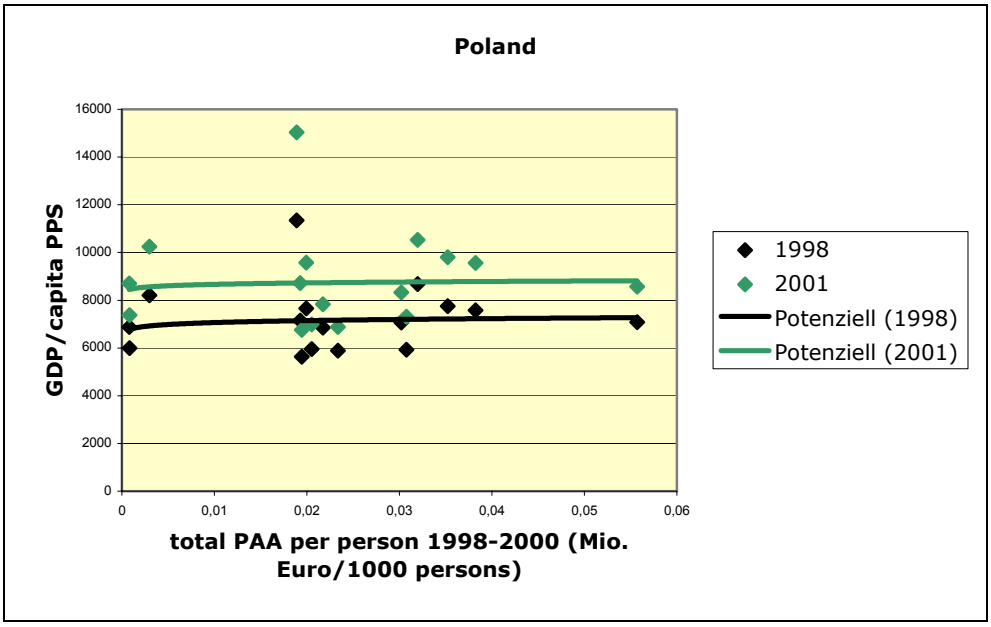
developments are provided on a country by country basis rather than a cross-country comparison.

The three examples provided in Figure 6-3 illustrate quite different relations of regional per capita GDP development in relation to regional pre-accession aid allocation per person. This figure aims at providing an idea about the variability of developments rather than indicating the development of specific countries. At first glance, in Bulgaria theoretical grounds for public funds' allocation seem to be confirmed by the empirical data – at least for the GDP per capita – as the region with the highest relative intervention level has experienced by far the highest income growth rate, while the only NUTS 2 region without regional pre-accession aid funding is the only Bulgarian region with income decrease. This is complemented by the corresponding figures for the development in the Czech Republic and Poland. In the former there occurs a negative relation with growth being lower in the regions with higher pre-accession aid allocation, thus contradicting the theoretical reasoning, and in the latter there does not seem to be any relation at all, as in the Polish chart the difference between the potential curves for the two different years neither grows nor shrinks with increasing pre-accession aid spending per inhabitant.

Figure 6-3: Change of GDP per Capita (PPS) between 1998 and 2001 Related to Regional Pre-Accession Aid Allocation per Person for (a) Bulgaria, (b) the Czech Republic and (c) Poland







Source: IRS calculation, ESPON Database

Nevertheless, when looking at this data in more detail and relating the dots to their spatial location it becomes obvious, that in any case it has been the capital region, which had the highest per capita GDP growth, whether with high, medium or low pre-accession aid intervention. In the Czech Republic it has been the Eastern peripheral regions which have received the highest relative support, albeit it has not been translated into higher growth as compared to the other more central non-capital regions in the Czech Republic. This already indicates that the quantitative territorial impact analysis of pre-accession aid is not inclined to reveal traditionally expected

results on growth. Nevertheless, it could be argued, that without the intervention, regional development, especially in the peripheral regions with relatively high funds' allocation, could have been worse without these policies. Similarly differing results can be observed for the remaining countries as given in the respective charts in the Annex (charts 19-9 – 19-15).

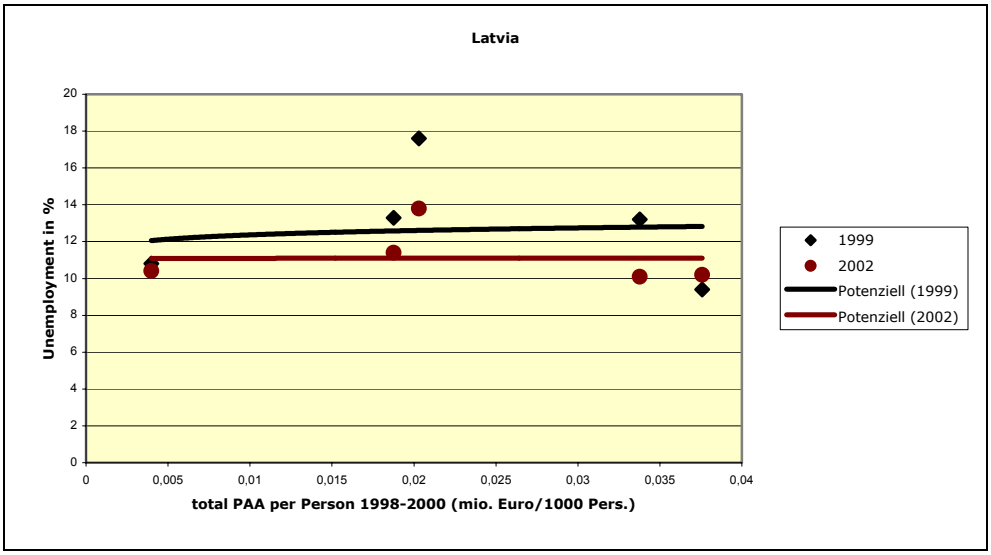
While GDP has been increasing in basically all regions of the new Member States and Candidate Countries, though to different extents, unemployment rates have increased in some countries while decreasing in others. However, with very few exceptions, in the regions within one country, development has been in either of the directions. This indicates the role of national influences on labour market developments other than through EU policies or regional potentials. Nevertheless, also the depiction of unemployment rate development with pre-accession aid allocation shows differing relations between the countries as is pointed out in Figure 6-4 for selected countries, once again basically aiming at the clarification of variability (see Annex charts 19-16 – 19-21 for remaining countries).

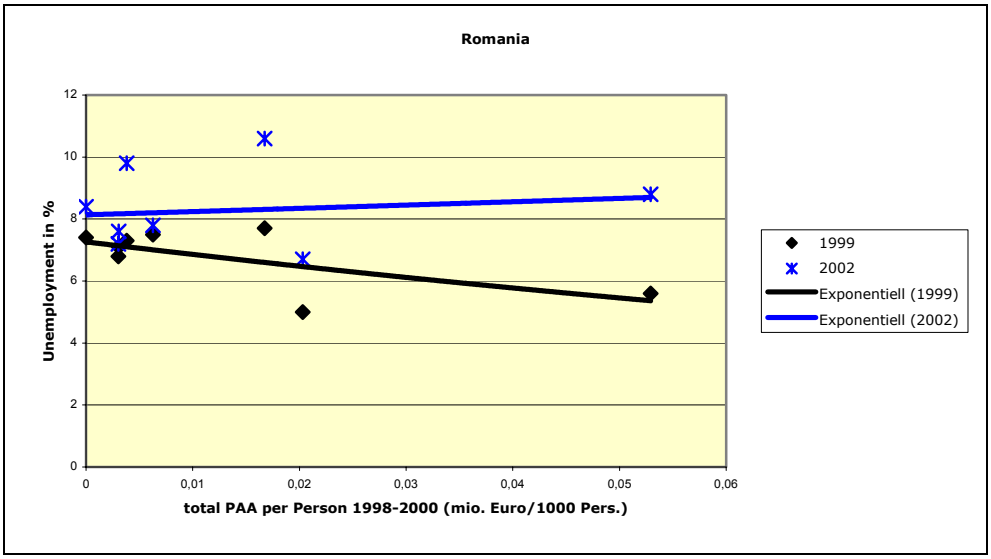
The case of Latvia reveals an expected relation, even if only to a slight extent. In Latvia, unemployment has been decreasing generally and to a much smaller extent in the region with hardly any regional pre-accession aid allocation than in most other regions. For the Polish example no relation between the pre-accession aid allocation and unemployment rate development can be observed at all. Different unemployment growth does not show a relation to pre-accession aid allocation nor to the type of region, as both old industrial and Eastern peripheral regions are among those regions with lower increases as compared for instance to the prospering capital of Warsaw, the Western border regions or even the, in other respects relatively fortunate and well endowed, region Wielkopolskie around Poznan.

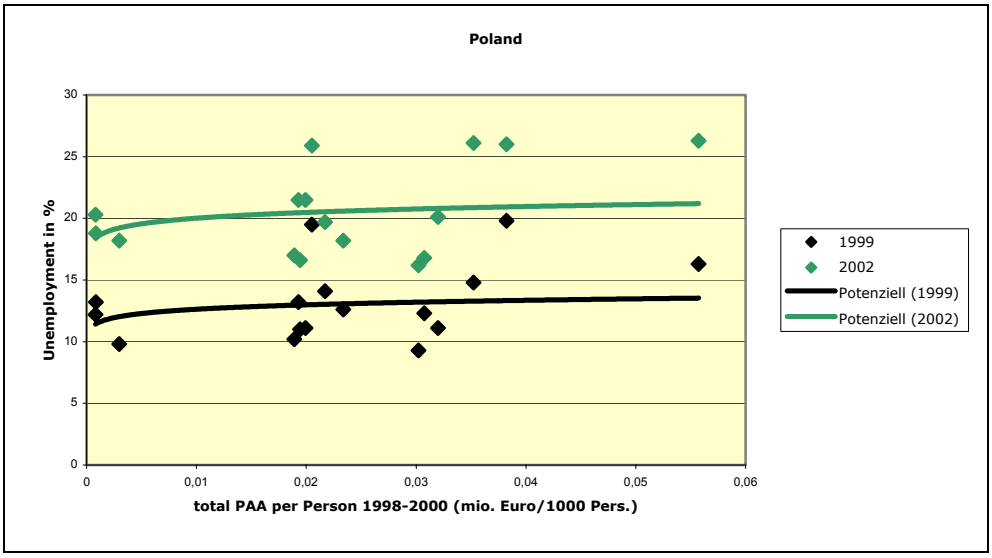
Also Romania has been faced with increasing unemployment throughout the period under examination. However, it has increased the more the higher regional PAA spending per person has been in the region, with the highest increase in the capital region of Bucharest. Keeping in mind that unemployment rates in Romania have been below average of the new Member States and Candidate Countries in 1999, this development certainly is accounted for by the lagging restructuring process. Furthermore, the still dominating and, during this period, increasing role of agricultural employment in most regions makes clear, why unemployment in peripheral regions does not seem to have been increasing. In contrast to these regions, in Bucharest such a shift to – often subsistence – agriculture has not been feasible for considerable parts of the labour force now unemployed, leading to increasing unemployment rates. Therefore, these occurrences in Romania

cannot be attributed to pre-accession aid allocation at all. Nevertheless, the Western region of Romania, largely composed by Siebenburgen, is worth of special interest, as there unemployment has increased much less than in nearly all other regions of this country while, at the same time, the changing composition of the labour forces' sector employment does not indicate a shift back to agriculture but small although noticeable increases in the other sectors, especially in industrial settlement.

Figure 6-4: Change Unemployment Rates between 1999 and 2002 related to Regional Pre-Accession Aid Allocation per Person for (a) Latvia, (b) Romania and (c) Poland







Source: IRS calculation, ESPON Database, Newcronos

All these differences make clear, that despite the quite limited provision with potentials for instance in the Eastern peripheral and rural regions, they also have severe structural differences, which also need to be taken into account and, at least partially, can be attributed to national influences and specifics. Furthermore, the comparison of relations between these two cohesion indicators also stress their differences. While one cohesion indicator might indicate cohesion on one or another spatial level the other indicator can indicate a quite different development with regard to the same spatial aim. Consequently, policy recommendations need to take account not only of the different spatial levels but also the differences between these indicators.

All these results strongly indicate for the necessity of combined provision of a number of potentials, which only in their grouping can stimulate sustainable growth. Thus, to achieve growth in the new Member States and Candidate Countries, first one or several regional bottlenecks need to be transformed into potentials before they do not further hamper regional development. Unless this is achieved, public investments occur as mere transfers in these regions rather than productive support. However, such stipulation would need immense amounts of respective funding, neither available at regional, national nor EU level. Therefore, continuous expansion from existing agglomerations through slow but sustainable spatial spreading out of public investments tend to achieve the best results for macro level cohesion and, in this case also for competitiveness. On meso level this tends not to decrease spatial disparities for the time being, however, differently allocated spatial interventions seem to affect social transfer volume rather than productive interventions as explained above.

6.3.2.3 Policy Oriented Typologies – Macro and Meso Levels

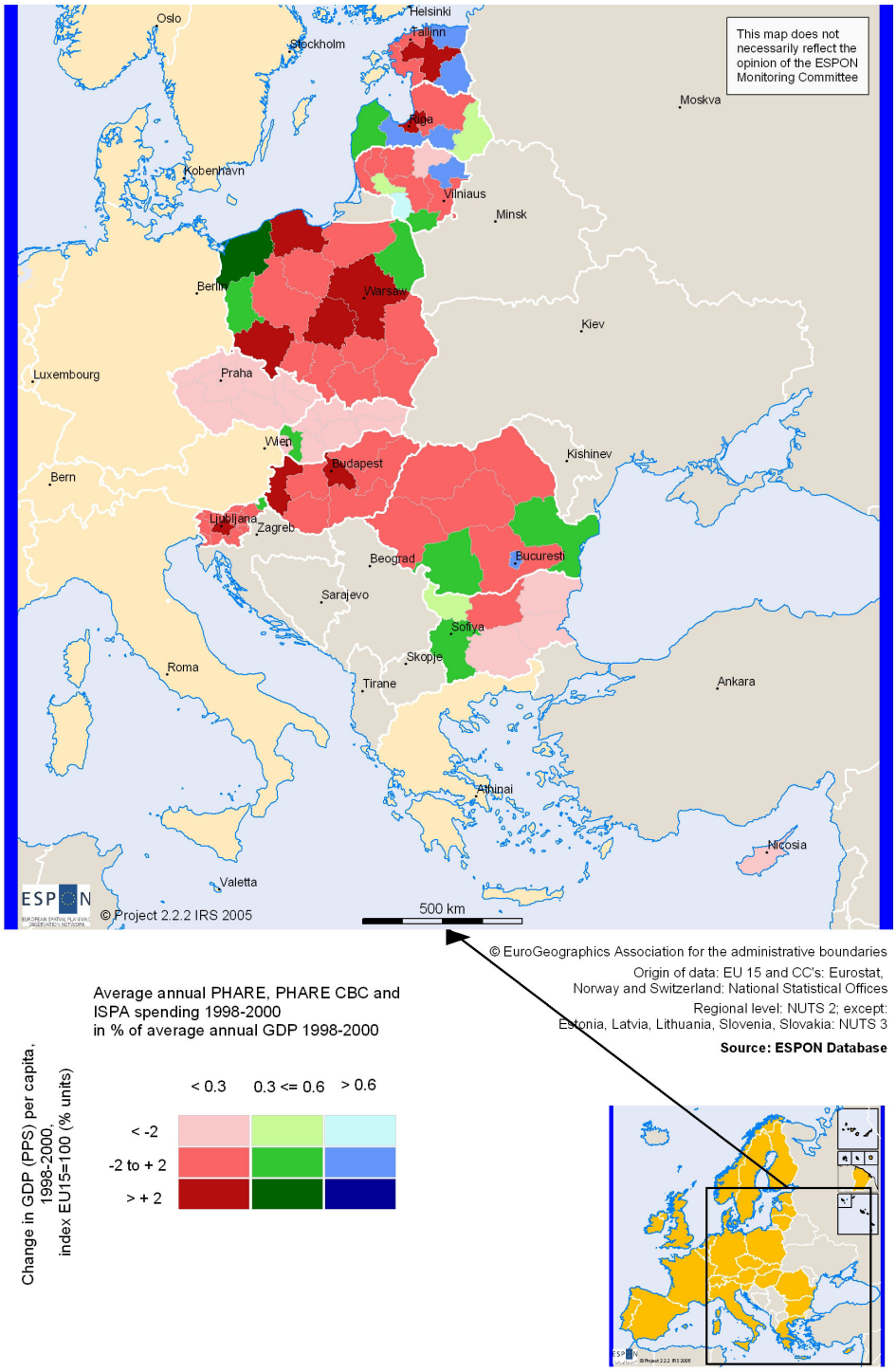
Before finally turning to the impact analysis in the context of correlation and regression analyses, these results shall be complemented by policy oriented typologies, which relate pre-accession aid spending to the change in economic performance.

At macro level economic performance of the income indicator is measured in relative terms with the EU 15 index representing the reference point. This implies for some countries, that growth in non-capital regions appears to be higher than in their capital regions, though in absolute terms this does not hold as above analyses showed, hence leading to increasing rather than decreasing divergences between the regions of one or another country. Nevertheless, on the macro level Map 6-6[30] also points out, that for instance in Poland, Hungary, Latvia and Slovenia above EU 15 average relative growth has occurred in the capital regions and in some cases their neighbouring regions, despite their low levels of regional pre-accession aid intervention. Few other regions in the new Member States, mostly Western border regions, and none in Bulgaria and Romania could achieve similar income growth rates, despite the relatively low income levels in most of these countries as compared to EU average. Yet, the results suggest even in relative terms only average to below average EU 15 income growth in the remaining regions, independently of the intervention levels of pre-accession aid and hence implying simultaneously increasing divergence on the macro level.

While the corresponding Map 6-7 reveals this kind of relation between structural interventions and GDP per capita growth for the space of the whole EU 27, it naturally confirms above specified spatial distribution of pre-accession aid in relation to the SF in the EU 15. Furthermore, below map indicates that also in the EU 15 examples for regions with different combinations of intervention levels and GDP per capita growth intensities can be found. However, the pattern seems to be somewhat different and less 'capital region' focussed or concentrated on MEGAs. Instead, spatial clusters of growth occur in different countries as well as spatial clusters of regions with below average growth. In addition, also country specific growth patterns seem to occur more frequently in the EU 15 than in the new Member States and Candidate Countries.

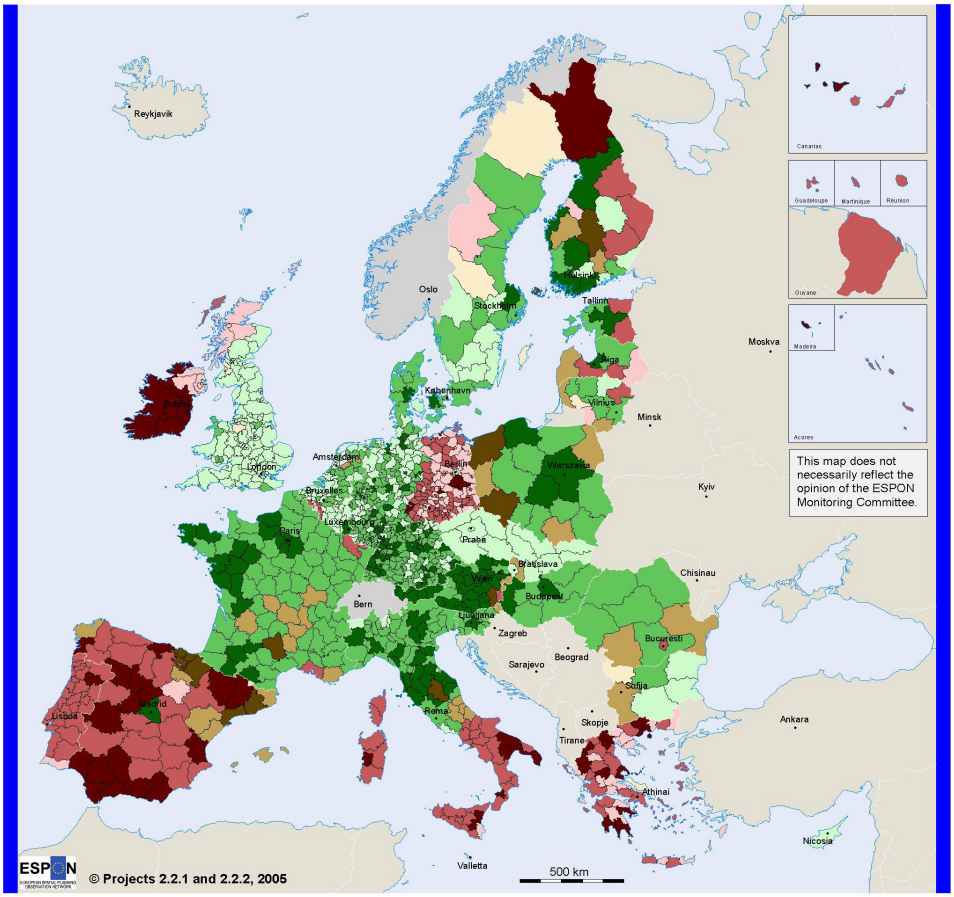
[30]This typology has been developed on comparative basis to the respective typology of ESPON project 2.2.1 on the Structural Fund spending in relation to the change of economic performance in the EU 15. That is, why EU 15 index has been chosen as reference (see also footnote 31).

Map 6-6: Average Annual Pre-Accession Aid Spending in Relation to Change in GDP (PPS) per capita (with EU 15 index = 100) between 1998 and 2000[31]



[31] In order to ensure comparability with below Map 6-8 this map provides a zoom on the new Member States, Bulgaria and Romania with slightly different classifications than above Map 6-7.

Map 6-7: Relative Average Annual Structural Fund (EU 15, 1994/95-99) and Pre-Accession Aid Spending (New Member States, BG and RO, 1998-2000) in Relation to Change in GDP (PPS) per capita 1998 – 2000[32]

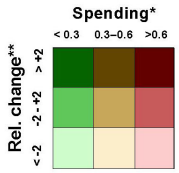


Annual average Structural Fund (EU15 1994/95-99), PHARE, PHARE CBC and ISPA spending (New Member States, BG and RO 1998-2000) as a share of regional GDP in Euro (1999) and relative change in GDP (PPS) per capita 1998-2000
NUTS2: BG, CZ, HU, MT, PL, RO; all other countries NUTS3

Geograhical Base: Eurostat GISCO

Origin of data: National data collection, Eurostat-Regio

Source: Nordregio, IRS, ESPON database

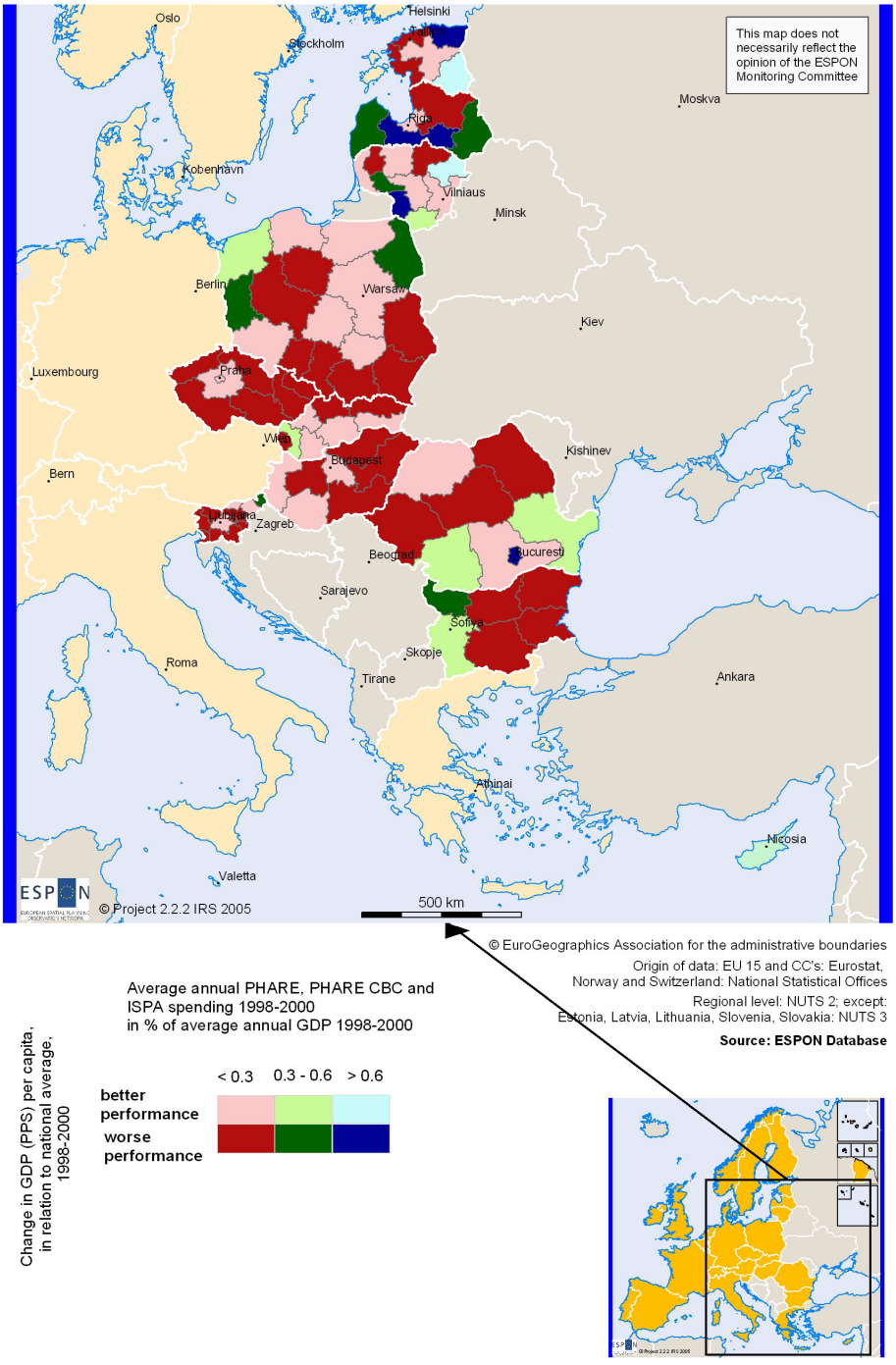


* Annual average Structural Fund (EU15 1994/95-99), PHARE, PHARE CBC and ISPA spending (New Member States, BG and RO 1998-2000) as a share of regional GDP in Euro (1999)

** Relative change in GDP (PPS) per capita 1998-2000, EU15=100, %units

[32] Despite possible cross-country and interregional differences in inflation rates and exchange rate changes not properly accounted for by GDP measures in PPS, this typology represents the only way of providing a typology on pre-accession aid spending in relation to economic performance in income terms on macro level. To overcome this problem, in addition further below a similar relation is depicted with relating pre-accession aid spending to national average change of GDP performance. However, the latter map provides insides in meso- and possibly micro level performance rather than on macro level, hence giving a different performance perspective.

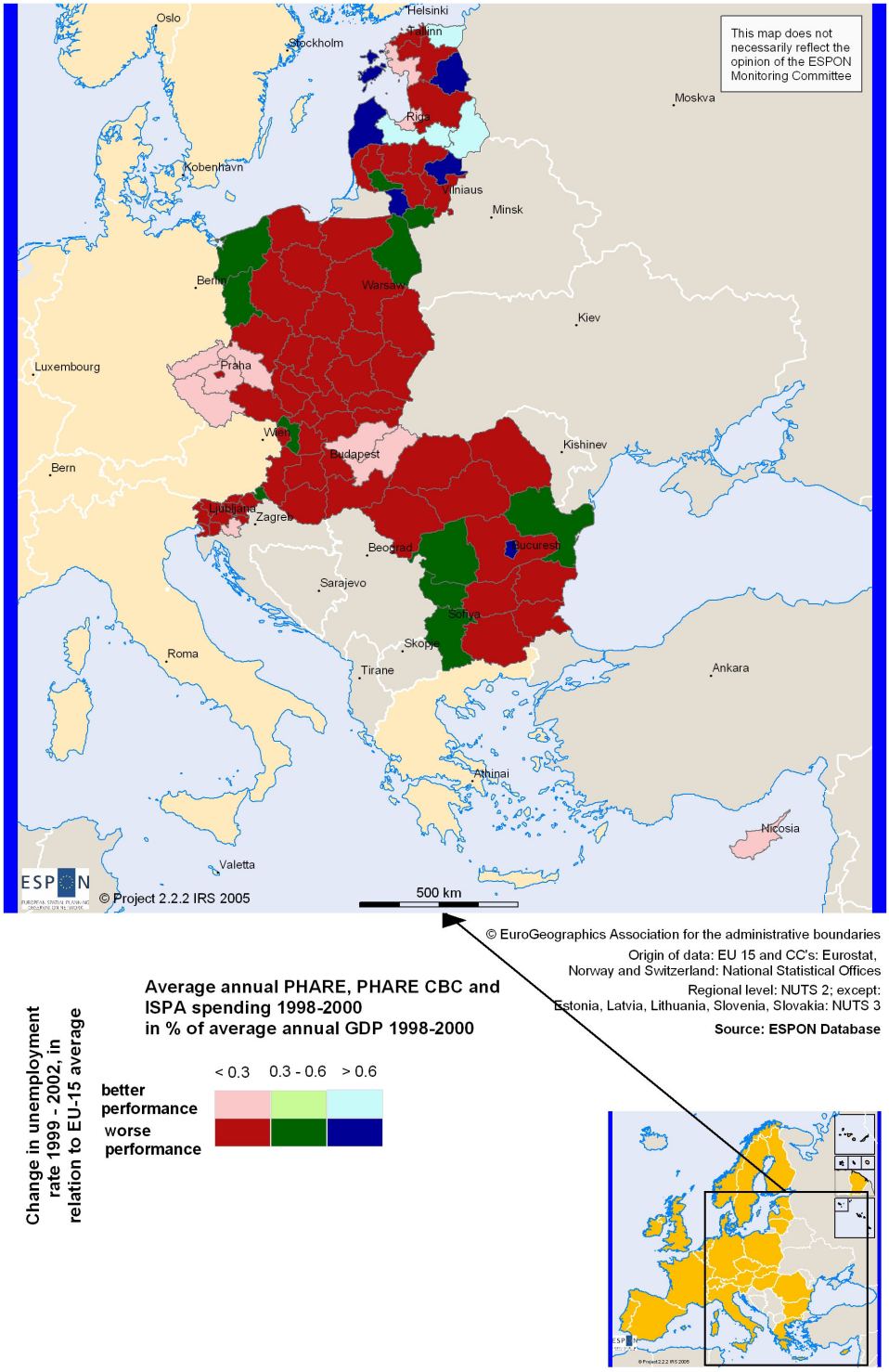
Map 6-8: Average Annual Pre-Accession Aid Spending in Relation to the Change of Average National Performance Measured in Percentage Growth of per capita GDP (PPS) between 1998 and 2000



Naturally, the regions within the new Member States and Candidate Countries, which have had an above average growth performance in terms of average EU performance between 1998 and 2000 also show an above average performance in terms of national GDP growth, as can be seen from a comparison of Map 6-6 with Map 6-8. In addition, this illustration allows for more inner-country differences, showing for all countries regions both, above and below national average growth. It turns out, that additionally to the Lithuanian region, which showed also on macro level a below average performance combined with relatively high pre-accession intervention level, also Bucharest and the Southern Latvian region neighbouring its capital region show similar relations on meso level. However, there are also regions in Estonia and Lithuania, in which relatively high intervention levels of EU funds coincide with above national average growth. Furthermore, a comparison of these two maps also shows, the opposite effect, i.e. regions which have a below average performance on macro level but above average income performance on meso level. Respective regions are for instance Prague and its surrounding region as well as a number of Slovakian regions. Thus, these regions, albeit their lagging growth as compared to EU average, could either catch up on national levels contributing to meso level cohesion despite relatively low regional pre-accession aid allocation, or they further strengthened their dominating position (Prague) within the country.

Thus, neither on macro nor on meso level, does the intervention level show a clear relation between pre-accession spending level and income performance. Altogether in the Baltic countries, on meso level analysis all possible kinds of relations between pre-accession aid allocation and growth performance can be found. Summarising, all these findings indicate not only the limitations of pre-accession impacts in quantitative terms as of the quite restricted amount of funds but also the likely role of other aspects affecting the performance as related to EU and national averages.

Map 6-9: Average Annual Pre-Accession Aid Spending in Percentage of Average Annual GDP in Relation to the Change of Economic Performance Measured in the Change of the Unemployment Rate in Relation to EU 15 Average between 1999 and 2002

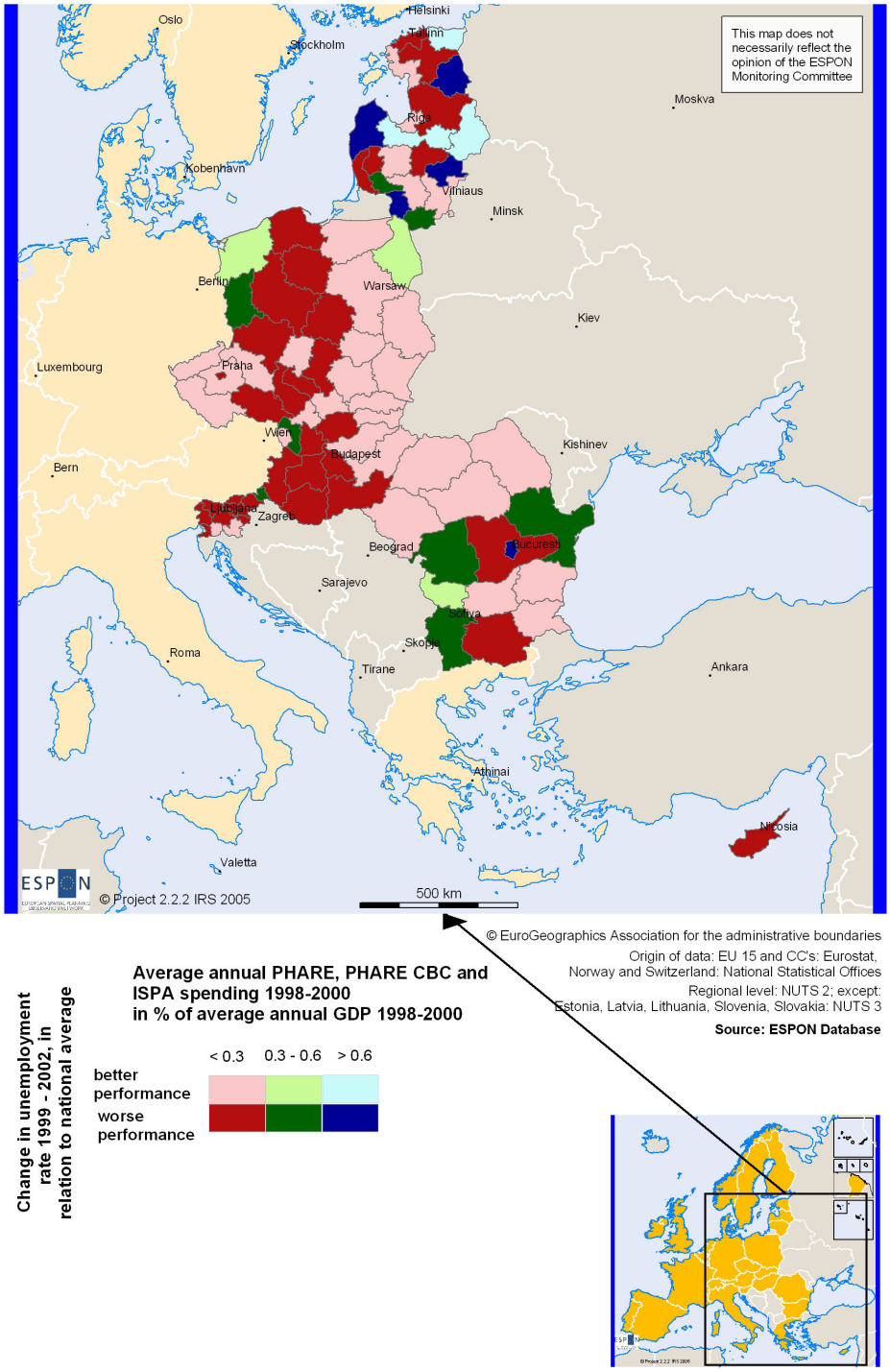


Similar observations can also be made with regard to the other impact indicator, i.e. the development of the unemployment rate. Also these respective typologies show varying outcomes on the different spatial levels for some of the regions. As for the respective macro level typology, it has to be stated, that the vast majority of regions in the new Member States and Candidate Countries shows a poorer performance with regard to unemployment development than the EU average. While unemployment decreased in EU 15 average between 1999 and 2002[33] by 1.6%, most regions of the new Member States and Candidate Countries experienced either lower decreases or mostly even increasing unemployment. As Map 6-9 points out, unemployment decreases above those of EU 15 average – thus implying a better performance – could however be observed in regions which received relatively high amounts of pre-accession aid as well as in regions to which only very little pre-accession aid was allocated.

The corresponding meso level typology in Map 6-10 which relates each region's unemployment performance to the respective country's average development reveals some interesting patterns. Naturally, there are regions in each country with above and below average performance, which obviously occur independent of the level of regional pre-accession aid allocation. Nevertheless, the performance patterns of several countries are of interest as they indicate regional accumulations of similar unemployment developments. For instance in Poland and Hungary basically the Eastern and in Romania the Northern regions, most of which can be characterised as rural Eastern peripheral regions, had unemployment developments which were less favourable than in the remainder of these countries. In contrast, some of the regions dominated by old industries in the central part of the CEECs, including some Western border regions, had less favourable unemployment developments. Thus, both favourable as well as disadvantageous unemployment developments occurred independently of the level of pre-accession aid allocation and in different types of regions.

[33] The slightly differing reference period is due to data limitations and gaps for 1998 and can be justified as of usually delayed adjustments of the labour market and thus unemployment rate developments.

Map 6-10: Average Annual Pre-Accession Aid Spending in Percentage of Average Annual GDP in Relation to the Change of Average National Performance Measured in the Change of the Unemployment Rate to National Averages between 1999 and 2002



Concluding it can be stated, that, while most regions with MEGAs had an above average performance with regard to GDP per capita developments, this is not the case to the same extent for unemployment development. Furthermore, a comparison of both meso level typologies reveals, that both impact indicators by far do not evolve in similar directions in a large number of regions. Thus, cohesion objectives might be achieved in terms of one indicator while the other impact indicator indicates opposite developments.

6.3.3 Territorial Impact Assessment of Pre-Accession Aid Spending with regard to Spatial Objectives – Correlation and Regression Analyses

Both groups of analyses are based on in total 87 regions in the new Member States and Candidate Countries. For consistency and as of data limitations, these analyses have been conducted on NUTS 2 level for Bulgaria, the Czech Republic, Cyprus, Hungary, Malta, Poland and Romania, leaving the Baltic countries, Slovenia and Slovakia for NUTS 3 level analyses. Thus, this spatial differentiation is consistent with above graphical presentations related to the policy analysis.

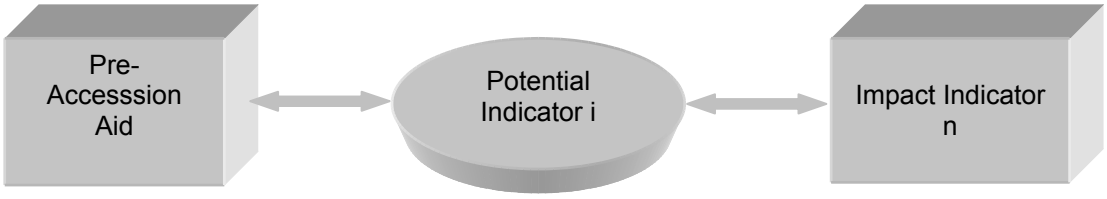
6.3.3.1 Correlation Analyses

Correlation analyses can be differentiated basically according to two data sets which are provided in the respective tables 19-8 and 19-9 in the Annex. The first correlation set gives an overview over relations between total and potential oriented pre-accession aid spending and different potential indicators as well as their changes throughout the period under consideration. The latter supplements this overview with the respective correlations of potential indicators with economic performance change measured in terms of unemployment change and GDP per capita (PPS) change over the same period. Thus, the latter relates potential and impact variables to each other not regarding pre-accession aid allocation. Therefore, the correlation analyses can be regarded as a stepwise process, in which the potentials are utilised as interim indicator for overall impact assessment, as is pointed out in Figure 6-5. The corresponding definitions of variables including their scaling are given in the annex.

Regional pre-accession aid allocation shows highly significant relations with the initial situations of the global economic indicators, i.e. unemployment rate and GDP per capita levels in PPS. The signs indicate a concentration of funds' allocation on regions with relatively poor economic performance, i.e. the higher unemployment rates and the lower GDP per capita the higher funds' allocation. With regard to potential provision, the results show only highly significant coefficients for the qualitative labour market indicator HCI

and the multi-modal accessibility potential, which is utilised as indicator for the geographic position. Here, the signs of the coefficients indicate opposite directions of relations. While pre-accession aid seems to concentrate somewhat in regions with relatively high HCI it also tends to concentrate in the more peripheral regions.

Figure 6-5: Relation of Pre-Accession Aid, Potential Indicators and Impact Indicators in Correlation Analysis



Summing up, these results suggest a regional pre-accession aid allocation during the period from 1998 to 2000, which is more cohesion oriented in terms that allocation has favoured less fortunate regions, often characterised by bottlenecks rather than potentials. Furthermore, these findings for most countries do not indicate strong priorities for the linkages between the major agglomerations and their hinterland with regard to overall pre-accession aid spending, though the result is somewhat different when looking at individual potentials as is shown below. The only likely exception of this general observation represents Slovakia, where pre-accession aid focussed most strongly on the region surrounding the capital of Bratislava. Nevertheless, as of the low level of EU funds allocated to the more peripheral regions, it can be questioned in how far the respective projects can actually eliminate or at least substantially reduce bottlenecks and thus support regional development.

When looking at individual potentials and the funds spent for their specific improvement, only very few significant correlations can be observed. Only the pre-accession aid allocated for improvements of the labour market potential and the geographic position tend to show significant correlations with their respective potential indicator. The latter has a significant correlation with the multi-modal accessibility potential, hinting at the role of macro level infrastructure projects within this group of measures, which favours the connections between agglomerations, though possibly neglecting regional (meso and micro level) connectivity. Nevertheless, especially as of the limited availability of funds, these findings stress the possibility of partially contradictory effects of fund spending for different spatial levels. Thus, to avoid inefficient allocation of EU funds, priorities of objectives with regard to spatial levels need to be clarified. If, however, focus shall be equally shared between the different spatial levels, comprehensive strategies

consisting of matching projects should be favoured rather than individual and independent projects.

Significant coefficients of correlations with respect to pre-accession aid allocation aiming at labour market improvements are somewhat more complex. The coefficient for the qualitative labour market indicator HCI is not significant but significant relations occur with regard to more quantitative indicators, i.e. the unemployment rate and to a lower extent the change of active population density. Especially regions with high initial unemployment rates have received and spent pre-accession aid funds for improvements of their human resources. Especially, in order to overcome high unemployment, such measures for human resource upgrading seem to be quite justified, especially as the coefficient for the HCI, though not significant, suggests this spending to concentrate somewhat in regions with relatively low educated labour force.

Quite interesting is also the significance of correlations of pre-accession aid spending aiming at improvements of capital supply. The analysis intimates positive significant relations of this kind of pre-accession aid with the initial employment in industry and unemployment rates. Mostly, also in modern industries, it is the industrial sector in which capital demand is particularly high, thus, such a priority seems to be quite justified, at least as far as old industries shall be modernised rather than closed down.

Coming to the correlation analyses with special reference to the change of per capita GDP and unemployment rates, it turns out, that the significance of relations to different potentials varies somewhat between these two global cohesion indicators. Income growth tends to be significantly related with the indicators for urbanisation potential, capital supply, the geographic position and the initial regional situation at the beginning of the observation period.[34] This leaves only the indicators for the labour market and regional market potential without significant correlations. Income growth seems to have especially concentrated in regions with important service rather than agricultural or industrial sectors. This result supports earlier findings of growth concentration in the major agglomerations of the new Member States and Candidate Countries, as also service sector employment is by far higher in these rather than in the other types of regions. Furthermore, this result also hints at the still limited growth potential of the industrial sector in these countries, as of the yet uncompleted industrial restructuring process. The significant coefficient depicting the accessibility potential also points out that it has been the more centrally located regions, often identical with major

[34] Some differences naturally occur depending on the definition of the income growth variable, whether in percentage or absolute figures.

agglomerations in these countries, which have experienced higher income growth than other regions.

Summarising, independently of pre-accession aid allocation, these findings point out, that regions with comparatively high income levels, low unemployment and strong service sectors tend to have the highest income growth potential. In the new Member States and Candidate Countries these are mostly capital regions and few other major agglomerations. Thus, it is these regions, which can contribute to macro level cohesion in income terms, although their growth simultaneously tends to increase meso and micro level disparities. Because of the negative significant relation with total pre-accession aid spending, which in most countries has concentrated outside the major growth poles, growth seems to depend on the aforementioned influences rather than on – the quite low levels of – pre-accession aid spending in general, which will have to be further elaborated in below regression analyses.

Similarly, to GDP per capita growth, the change of unemployment rates also reveals significant correlations with the urbanisation and localisation potential and the starting value of unemployment rates. However, neither the accessibility potential nor the initial income level is significantly related to changing unemployment. This indicates that also more peripheral regions have been able to decrease unemployment or have allowed for lower increases than the more centrally located regions. Such a result, including the insignificant coefficient, can largely be attributed to the national specifics of unemployment development as for instance stressed in above Figure 6-4. Although unemployment rate development, whether in percentage or absolute terms, does not show a significant relation to the starting GDP per capita values, it tends to be negatively related with GDP per capita growth. This reveals that regions which had a poor economic performance on macro and/or meso levels, indecisive of their pre-accession aid allocation, also tend to have experienced rising unemployment.

Such an example is the Polish region of Wielkopolskie, whose centre Poznan – including the former voivodship Poznan – had particularly low unemployment rates until 1998. In this case, the propensity of increasing unemployment in all Polish regions coincided with the administrative reform, which additionally increased this voivodship's unemployment rate as compared to the former region.[35] Furthermore, municipality level data for this region reveal the very limited spatial effects of this agglomeration, that was characterised as weak MEGA by ESPON project 1.1.1, on its

[35] For the respective change of unemployment in Wielkopolskie voivodship as compared to the Polish average see e.g. Zillmer (2002: 56).

surroundings with regard to both, socio-economic and structural data (Zillmer 2003). From these findings, it can be concluded that micro level achievements aiming at territorial cohesion will only be achieved, if the necessary comprehensive linkages between the weak MEGAs in the new Member States and Candidate Countries and their hinterland are developed. Such comprehensive linkages do not only need to relate the agglomeration with its surroundings in terms of infrastructure but also need to reduce the other bottlenecks identified for rural and possibly peripheral regions to make use of the potentials available in the agglomeration and then allow for their spreading. Then, at the same time, these micro level achievements can also contribute to macro level cohesion, as economic performance of these increasingly integrated regions can improve. This is the more important, as in these countries most MEGAs are characterised as weak MEGAs with only few additional potential MEGAs and no strong MEGAs (ESPON 1.1.1).

6.3.3.2 Regression Analyses

The conducted regression analyses aim at a quantitative territorial impact assessment of PAA policies and their related potentials for the regions in the new Member States and Candidate Countries. Economic performance and thus the territorial impact has been measured, correspondingly to above descriptive and correlation analyses, in terms of per capita GDP change and unemployment rate change. For both indicators different models have been tested and further developed as compared to the results provided in the 3rd Interim Report.

In general terms it can be stated, that the preliminary results of the regression analysis provided in the IR have been basically confirmed by further elaboration of the regressions. Therefore, the following interpretations draw on the results provided in the last IR already as well as on the newly developed regressions.[36] To allow for an inclusion of as many regions as possible, regressions have been carried out on the basis of exclusion of pairs, which can possibly affect the results. However, to check on these effects, comparable regressions were also carried out excluding missing data on list wise basis. The results show, that very few indicators were affected by the methodology to only minor extent. All regressions show highly significant F-values.

Without stressing the differences between the individual regression models, it can be stated, that for the change of per capita income, as suggested by above correlation analyses, the starting values of economic performance show significant influences. Furthermore, the potential indicator for

[36] The respective result tables are included in the Annex: tables 19-10 and 19-11.

urbanisation and localisation advantages, i.e. the sectoral employment structure, reflects results similarly to those in correlation analyses, and therefore implies a significant influence on regional per capita GDP growth. This fact underlines the importance of this potential for regional growth, and indicates possibilities for influencing regional growth. It is high agricultural employment which hampers income growth. Service employment tends to support growth, though actual effects depend on the kind of services supplied, i.e. consumer or lower business or higher business services. The less significant effect of industrial employment can largely be attributed to the varying effects of old and modernised industries and indicates the still largely needed improvements in the sectoral restructuring process. However, especially in the rural regions, in some countries agricultural employment still dominates the labour market. To overcome this bottleneck, not only restructuring measures within this sector and between the sectors are needed but upgrading and updating of human resources, which together with adequate conditions of the framework could enhance regional growth. Thus, to overcome the structural bottleneck in many regions of the new Member States and Candidate Countries, strategies combining measures on the respective major bottlenecks are needed rather than selective measures or projects at different times and places.

Interestingly, although the accessibility potential has revealed significant correlation coefficients with GDP per capita growth, it does not represent a significant influence on income growth in the regression models. This result suggests, that while GDP growth tends to concentrate in central rather than peripheral regions, other influences than accessibility – at least as measured in the ESPON data base – are more influential on GDP per capita growth. Thus, despite the importance of infrastructure projects on different spatial levels, they are not inclined to produce economic growth by itself but only through their connection with other characteristics concentrating in growing regions, i.e. mostly agglomerations in the new Member States and Candidate Countries. Such characteristics are closely connected with the labour market and regional market potentials but also with capital supply and especially urbanisation and localisation advantages. Consequently, improvements in infrastructure provision can only be expected to significantly contribute to territorial cohesion and polycentricity if they are accompanied by, for instance, measures improving the regional employment structure. Nevertheless, the unavailability of adequate transport and other connecting infrastructure, can certainly hamper economic activity and thus economic growth.

The negative and significant influence of the population density respectively active population density can basically be put down to two statistical effects

controversial to the expected result. The first effect refers to the extreme value of Prague, which has by far the largest population density in the new Member States and Candidate Countries, at least on the basis of the chosen NUTS levels and has been faced with relatively low income growth at the end of the 1990s. And the second effect can be related to the inclusion of sometimes large areas surrounding the more strongly growing agglomerations on NUTS 2 level, such as Warsaw in Mazowieckie voivodship. As of this inclusion, population respectively active population density is quite below that level that would usually be assumed for capital regions or other major agglomerations.

As expected from correlation analyses and the low level of intervention as for example compared to SF intervention in Objective 1 regions of the EU 15, pre-accession aid spending does not reveal a strong – though significant – influence on GDP per capita growth. However, the negative sign should not be overstated due to the relative concentration of such spending in less favourable regions as stated above. Yet, as other analyses elements illustrate, pre-accession aid measures often have other, more indirect effects on regional development in these countries, such as the mobilisation of regional and national funds, knowledge improvements about EU policies and legislation, institutional development, opening and integration of these regions and countries etc. Thus, investigating territorial cohesion also needs to refer to these qualitative effects, though they cannot be pointed out by quantitative analyses properly. Therefore, the qualitative components of the project's research, i.e. case studies, provide additional insights not incorporated in this quantitative research.

Nevertheless, as far as possible, such effects have been included in the latest regression analyses in terms of indices indicating the countries' transformation achievements. The corresponding index measures on country level political and economic results of the transformation and shows that some such national influences are relevant for both, GDP and unemployment developments.

Furthermore, it has also been tested in how far other influences than the potentials and pre-accession aid spending affect regional per capita GDP growth. The respective table in the Annex of the 3rd IR refers to country dummies as possible source of influence (in alteration to the later included transformation index) and the characterisation of regions as Western border regions, Eastern border regions at the new external border of an enlarged EU, and capital regions. Especially the capital region dummy shows a strong significant and positive influence on regional GDP per capita growth. This can largely be attributed to the comprehensive provision of different potentials available in these regions and also other major agglomerations.

In contrast, the insignificant result for the Western border region dummy can be interpreted in terms of missing links with the neighbouring EU 15 regions and often limited potentials within the border region. Once the spatial closeness to the EU 15 can be utilised, this variable could possibly show a significant influence – at least as long as other peripheral regions do not catch up through other processes. Yet, also differences in economic performance and development levels of these EU 15 border regions contribute to this insignificant result. For instance the comparison of Bulgarian border regions neighbouring Greece with Slovenian or Czech regions bordering Austria or Bavaria stresses these differences in development levels and performance, not only on the side of the new Member States and Candidate Countries but on the EU 15 side as well.

Summing up these results, especially with regard to the employment structure and initial GDP per capita values are also supported by analyses undertaken by Herz and Vogel (2003: 14), who have conducted comparable regressions for the NUTS 2 regions of Poland, the Czech Republic and Hungary, though to different extents over the period between 1991 and 2002. Furthermore, as of their regressions' relation not only to gross value added per inhabitant but also per worker, similar results could be retrieved for the productivity indicator. This indicates that also for improvements in the territorially balanced competition, similar factors are of significant influence. Herz and Vogel (2003: 10) find that "Differences in the structural characteristics of regions, like the sector structure of production and the endowment with resources, physical and human capital, lead to differences in the aggregate productivity and thus imply differences in income levels and growth rates". Thus, these results even further emphasize the role of the economic structure for economic growth and thus territorial cohesion on different spatial levels.

In contrast to the regressions undertaken in ESPON project 2.2.2, the analyses by Herz and Vogel (2003) also stress the role of education. Herz and Vogel gained significant results for the share of the working age population with medium and high employment for their three sample countries, thus a quite comparable indicator to the HCI used in our analyses. However, the ESPON sample could not concentrate on just three but included all accession countries plus Bulgaria and Romania, which yields additional country specific variation in education systems contributing to insignificant coefficients.

Finally, also the significant constants in both regression approaches hint at further influences on the development of income growth and unemployment rates, which could not be included in the analyses due to data gaps. Apart of the country specific influences just mentioned, Herz and Vogel (2003: 10)

suggest for instance, that also a lack of sector specific technology diffusion within countries keeps peripheral regions from catching up with agglomerations. Assuming such a lack of diffusion, also implies that human resources are differently utilised across regions of one country and that there is an inherent difference between the regions concerning their development level, which hampers the catch up process especially of the Eastern peripheral and mostly agriculturally dominated regions.

6.4 Qualitative Impact Analysis

To deepen the insights derived from quantitative impact assessment, case studies were conducted on spatial impacts of pre-accession aid within selected regions. The objective of the case study approach was twofold: On the one hand they should supplement the assessment, interpretation and verification of results from the quantitative impact analysis by providing specific regional impact studies and deeper insights into the mechanisms affecting territorial development. On the other hand case studies should deal with fields of interventions which are not covered by the quantitative analysis due to lack of appropriate data, e.g. for institutional or environmental conditions. Case study analysis followed a common methodological approach which is highlighted in chapter 12.

The main findings of the case studies are presented in the following section, where for each case study a comparable box has been developed. Since funds were limited, it was not possible to cover all types of regions to a satisfying extent through case studies. However, the case studies can be grouped, allowing for comparability of case study results. Firstly, two case studies have been conducted in Polish regions, namely Silesia Voivodship and Mazowieckie Voivodship which belong to the core region of the new Member States. The two Hungarian case study regions Borsod-Abaúj-Zemplén and Szabolcs-Szatmár-Bereg represent peripheral, mainly rural regions, which are however differently structure. Finally, case studies have been conducted in Estonia and Malta both representing small countries in the European periphery, for which above analyses revealed relatively low relevance of spatial issues on a regional level.

6.4.1 Main Results of Case Studies on Territorial Impact Assessment of Pre-Accession Aid

The following case studies' results are provided along a threefold structure, first giving some summarized information on the case study region, secondly reviewing the policy impact assessment and finally offering specific policy

recommendations for the case study region. A somewhat more detailed overview of the case studies is given in the 3rd Interim Report.[37]

Case Study of Silesia Voivodship (PL)

Type of region: NUTS 2, old industrial region

Spatial identity: Silesia Voivodship is situated in the South of Poland, which is relatively small but highly populated and urbanised with sharp contrasts in terms of its socio-economic situation.

Main potentials	Main bottlenecks
Large regional market, strategic location at the crossing of international transport routes, dense network of universities and R&D units, high labour ethos, polycentric settlement network, relatively well developed network of local and regional institutions, favourable conditions for tourism.	Concentration of old industrial structures, environmental degradation, low quality of infrastructure, incompatibility of education system and labour market requirements, poor cooperation between industry and innovation centres, low mobility of workforce (profession, location), weak metropolitan functions, deepening exclusion of whole social groups.

Characterisation of Projects/Programme Analysed: The PHARE INITIATIVE I and II programmes are the only programmes in Silesia which addressed restructuring problems. The programme consisted of the following components for coal and steel sectors:

- retraining in the coal and steel sector,
- co-financing of social benefits,
- alternative job creation,
- regional development - Local Grant Fund (LGF).

The latter has been analysed in particular, which encompasses the provision of support towards small scale infrastructure projects in priority areas identified in the regional Operational Programme. Thus, part of a pre-accession aid programme has been analysed. Within the LGF four main types of investments were funded, i.e. road infrastructure, sanitary infrastructure, business oriented infrastructure and educational institutions

[37] See IRS et al. (2004: 135ff.)

infrastructure. 31 projects were implemented within the Silesia region, all of them were completed until the end of September 2002.

Assessment of Policy with Regard to Potentials/Bottlenecks Addressed: Most LGF instruments were designed to reduce the existing bottlenecks for the regional development, potentials were strengthened only to minor extent. Positive effects occurred in different fields:

- *Transport infrastructure projects* – allowed for new areas for SME development through enhanced accessibility. Thus, the attractiveness and competitiveness of the respective municipalities was enhanced and new entities were to be set-up, creating jobs on local labour markets.
- *Investments in local sewerage systems* – contributed to natural environment protection and improvement of living standards of local residents.
- *Business facilities development projects* – proved especially effective in the context of the overall aim of the programme, counteracting increasing unemployment.
- *Educational projects* – raise high expectations and show clear links to the development strategy of the respective municipalities in the long run.
- *Institutional development* – creation of improved knowledge on procedures, facilitation of networking, dialogue and cooperation.

Types of instruments within the LGF seem to have been appropriate, meeting regional needs. However, the scheme was too small in budgetary terms to increase the competitiveness of the whole region and to significantly alleviate the restructuring costs at regional scale. Moreover, some effects could not be observed yet and the full impact can only be expected in the long run.

Assessment of Policy with Regard to Territorial Objectives: Generally, direct contributions of LGF to territorial development objectives are difficult to measure. Impact can be expected on selected aims of territorial policy, relating to improved dynamics and restructuring of the region and the strengthening of the function of networks. Further impacts will probably occur in the long run.

Spatial cohesion – was promoted by LGF objectives within the region (micro level) and on meso level. It is too soon, however, to accurately assess the extent of the contribution to territorial cohesion at the different spatial levels.

Balanced spatial competition – was mainly targeted through the assistance

offered within the LGF. Funds for business schemes or infrastructure development increased the competitiveness of the municipalities in a number of fields. However, as of the limited budget no significant effects for the whole region's competitiveness can be expected.

With regard to the fields of actions, the very type of projects have determined to a considerable extent the scale and time horizon of impacts on territorial development. Summing up, as far as the facilitation of restructuring processes were concerned, LGF projects mostly contributed to spatial achievement at micro-scale.

Spatial Policy Recommendations: The application of future SF should be more targeted and should show a more strategic approach:

- *Project level* – All projects should be related to the development of strategic objectives, this way enhancing the restructuring process and addressing spatial objectives more directly.
- *Programme level* – Strengthen reference to spatial development objectives. Selection of projects did not clearly reflect the rules of territorial solidarity and territorial efficiency.
- Improved targeting in terms of both, location and fields of activity:
  - On the one side, interventions should concentrate on support for diversified development of growth poles outside the old-industrial core of Silesia Voivodship, since examples of few such projects show that the absorption capacity in these municipalities is very high and positive side-effects can be observed more frequently. On the other hand the centre of the region should receive more assistance fighting the legacy of heavy industry concentration. This refers especially to programmes which should address the redevelopment of contaminated land directly with a systematic approach.
  - For some existing priorities a wider scale is asked for: business development schemes promoting alternative activities as well as human resource development projects necessary to increase the sectoral and spatial mobility of the workforce. Infrastructure development calls for larger and more integrated investments, since projects in the transport field proofed to be too fragmented.

Case Study of Mazovia Voivodship (PL)

Type of region: NUTS 2, capital city (MEGA) region

Spatial identity: Mazovia voivodship is the biggest region in Poland and amongst the regions with the highest population density totalling in more than 13% of the Polish population. The capital city and MEGA Warsaw is located in the region, surrounded by few other cities of only local to regional (NUTS 3) importance and remote areas, which are predominantly rural. The voivodship has a positive migration rate – mainly due to the attractiveness of Warsaw Metropolitan Area – accompanied by a changing age structure with increasing shares of working age and older people. Simultaneously, a population outflow occurs in the peripherally located rural municipalities in the Northern and Eastern parts of the voivodship, and to a smaller extent in the Southern part, mostly targeted to the centre of Mazovia Voivodship.

Main potentials	Main bottlenecks
Large inflow of FDI, highly developed market service sector in Warsaw, national education and R&D centre, high level of education, good international accessibility due to international airport.	Large internal disparities with weak economic structures outside Warsaw Metropolitan Area, ageing of population and overpopulation of rural areas, low level of education in rural areas, poor condition of transport infrastructure.

Characterisation of Projects/Programme Analysed: The analysis concentrated on selected and related projects, i.e. two transport projects funded under ISPA:

- Strengthening of the surface of the national road No. 50, from Sochaczew to Mińsk Mazowiecki, which is part of the Pan-European Transport Corridor II (Berlin - Warsaw - Minsk - Moscow). This road carries the whole transit traffic from Western to Central and Eastern Europe as by-pass of Warsaw. The purpose of the investment is to improve road safety and traffic flow efficiency on road No. 50, which is not adapted to the increasingly heavy traffic.
- Comprehensive renewal of the 52 km long double-track and electrified line between Mińsk Mazowiecki and Siedlce, which is also part of the Pan-European Transport Corridor II. Rehabilitation and upgrading will concern all the components of the line: superstructure, substructure,

engineering structures, signalling, level crossings, catenaries, sub-stations, passenger buildings and platforms, with special attention to environmental aspects. One target is to meet the requirements of respective European Agreements on railway lines and to allow for significant speed increases for both, passenger and freight trains. Other targets consist in the increase of the line's capacity and traffic safety as well as the reduction of maintenance and operating costs.

Assessment of Policy with Regard to Potentials/Bottlenecks Addressed: Both projects are mainly important on national or European scale. Thus, they address regional bottlenecks and needs with regard to poor transport infrastructure and fragmented developments of the region only to a limited extend. However, for road No. 50 regional and national needs are much better balanced than for the railway project.

From a regional perspective the created railway corridor is of minor importance and the direct connection of the regional and local centres not via Warsaw would have been of higher priority. Moreover, negative regional effects could be observed, due to reduced accessibility of local towns and reduced capacity for local trains. Simultaneously, the investment had positive effects in terms of improved regional attractiveness for foreign investors.

Road No. 50 was also of a national and European character but, at the same time, addressed regional problems such as the congestion of Warsaw agglomeration, overload and poor quality of one of the main regional roads and smoothness of the transit on East-West direction. Thus the main effect was the improvement of transit and facilitation of transport within Mazovia region. Moreover, the project contributed to the development of the cities and towns located along this main transport corridor, which has to be further proved in the future as of the short observation period.

Assessment of Policy with Regard to Territorial Objectives: Analysis of these two infrastructure projects highlighted the latent conflict between territorial objectives on different spatial levels. While the projects supported spatial integration on a national or even European scale, partially trends of disintegration resulted on micro level. With regard to *spatial cohesion* and *balanced spatial competition* impacts of the investments are difficult to assess as of the long-term character of impacts and the range of influences on regional development. Nevertheless, there are indications that improved accessibility enables development of spread effects from Warsaw Metropolitan Area to the less developed hinterland – at least where it is directly connected to the transport corridor – and thus contributing to spatial cohesion on the regional level as well.

Spatial Policy Recommendations:

Consideration of different spatial levels – European, national and regional needs and impacts should be equally taken into account for selection and implementation of infrastructure projects.

Integration of regional actors – for improvement of the effectiveness of implemented projects and prevention of negative side effects.

Coherent strategy – long term strategy for investments is needed, since fragmented improvement of the transport infrastructure might only shift existing problems rather than solving them.

Case Study of Borsod-Abaúj-Zemplén County (HU)

Type of region: NUTS 3, declining industrial region

Spatial identity: Borsod-Abaúj-Zemplén County is situated in Northeast Hungary. Population declines faster than in Hungarian average, which is dominated by out-migration of the younger and more educated groups. The urban network is underdeveloped with large areas without an urban centre. The county can be divided into three areas with distinct development problems: the middle and Western part suffers most from industrial crisis and related environmental problems; the Eastern part is characterised by agricultural structures and underdeveloped infrastructure; and in the South mixed industrial and agricultural structures helped to avoid similarly severe restructuring problems.

Main potentials	Main bottlenecks
Spatially concentrated, developed industrial infrastructure, attractive tourism sites, good geographical transit location, modern chemical industry.	Declining outdated manufacturing industry, small size and lack of capital of enterprises, poor business services and infrastructure, underdeveloped physical infrastructure, under-developed institutions promo-ting cooperation, declining and ageing population with out-dated education.

Characterisation of Projects/Programme Analysed: Analysis concentrated on the programme level, referring to the integrated crisis management programme which was a pilot programme in 1994-1995,

financed by PHARE and Hungary. The objective was to develop a county restructuring programme for the period till 1999 with participation of EU, national, regional and local levels. Therefore 13 professional committees were set up and several programmes, each involving sub-programmes, were defined (financial development, economic development, infrastructure development, human resources development etc.). The main achievement of the programme was to develop the institutional structures necessary for the programme implementation.

Assessment of Policy with Regard to Potentials/Bottlenecks Addressed: The integrated programme was not realised due to problems with the integrated financial fund. Officials of sectoral ministries and local governments were not willing to transfer their national budgetary resources to the management unit of the programme. This conflict delayed the approval and implementation of the programme for a long period. PHARE officers, seeing that Hungarian authorities were reluctant to transfer their money, made also a "withdrawal". Although the programme would have given the chance to address regional potentials and bottlenecks in an integrated manner, the institutional conditions proofed to be the main bottleneck, which was not met in a successful way.

Assessment of Policy with Regard to Territorial Objectives: Although the programme was in line with the objective of *spatial cohesion* due to the concentration of support on the least developed regions within Hungary, no territorial impacts can be observed so far.

Spatial Policy Recommendations: As of the limitations of institutional conditions, this case study's recommendations focus on these conditions rather than other potentials or bottlenecks:

- *Development of strong regional structures* – which enable the absorption of regional development funds.
- *Institutional streamlining* – for securing effective and complementary implementation of national and EU policies. This refers not only to application procedures but the reduction of bureaucratic barriers for possible applicants.
- *Programme management structures* – should reflect national and EU interests preventing situations of disadvantageous competition between both levels.

Case Study of Szabolcs-Szatmár-Bereg County (HU)

Type of region: NUTS 3, peripheral Eastern and rural region

Spatial identity: Szabolcs-Szatmár-Bereg county is situated in Northeast Hungary, in the border triangle with the Ukraine and Romania. The settlement structure of the county consists of one city with regional relevance and 19 smaller (local) towns. Due to high natural population growth, the population increased during the last decade despite strong out-migration processes. As a result, this county has one of the youngest population structures in Hungary.

Main potentials	Main bottlenecks
Strategic location for cross-border logistics, young population structure	Declining and out-dated agri-cultural sector, poor transport infrastructure, low level of education, low level of capital investments

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Characterisation of Projects/Programme Analysed: Also in Szabolcs-Szatmár-Bereg county a pilot action of developing an integrated crisis management programme was started in the early years of PHARE, which was the basis for below analysis. Thus, also in this region the case study concentrated on a programme level assessment. In the early years the overwhelming part of the regional support in the framework of this pilot action has been used for infrastructure development purposes, especially for the development of telephone and natural gas pipeline networks. In the following years the programme was continued in a restructured way, orienting the activities more strongly according to the needs and problems of the county.

Assessment of Policy with Regard to Potentials/Bottlenecks Addressed: The assessment of the pilot action differentiates between institutional and more economic development related potentials/bottlenecks. With regard to the latter, it has to be stated, that although Szabolcs is the poorest county in Hungary, it is now amongst the best developed counties with regard to telecommunication and gas networks. However, these investments were one-sided, not addressing more imminent and fundamental bottlenecks. Thus, they were not sufficient to attract further economic activities. Moreover, large parts of the constructed infrastructure networks are unused because they are not adapted to the population's needs and capabilities.

Important improvements were achieved with regard to the institutional capacity. Local governments and entrepreneurs have learned to apply for support, to prepare applications and to implement them. Institutions and networks have been established to support the application process. This laid the foundation for an improved position in the competition for public finances, which could in the future contribute to overcoming development bottlenecks and fostering development potentials.

Assessment of Policy with Regard to Territorial Objectives: Although the case study sheds light on one of the early PHARE projects which directly aimed at achieving *spatial cohesion* by supporting the poorest regions, up to now no immediate territorial impacts can be observed, since the expected impacts on improved economic development have not been realised yet. The lesson learned is that one-sided investments without a comprehensive strategy are supposed to lack the expected results. Moreover, strong regional institutional structures are needed to enable an efficient and adequate use of external financial support. However, in this respect the project contributed to institutional development and the development of entrepreneurial capacity in the region.

Spatial Policy Recommendations: Despite the case study's focus on the programme level, lessons could be learned for the project level as well:

- *Project level* – The scale and type of projects should be oriented on the region's situation to prevent inefficient and inappropriate investment.
- *Programme level* – Comprehensive development strategies focussing on a mixture of fields of action and addressing the most imminent bottlenecks are required to meet complex regional development problems.
- *Institution building* – is a pre-condition for successful implementation of further investment projects (e.g. infrastructure) simultaneously possibly increasing regional absorption capacity.

Case Study of Malta

Type of region: NUTS 2, peripheral island region

Spatial identity: The Maltese Islands comprise three main islands, of which Malta with the capital city Valetta is by far the largest. 92% of the Maltese population lives on Malta leaving only 8% for the smaller islands of Gozo and Comino. As compared to country level, and due to the small size of the islands, population density is among the highest in the world and the highest in Europe. Big economic disparities exist between the islands of Gozo and Malta – Gozo's GDP per capita (2000) was only about 72% of Malta's national average. Besides these structural disparities between the islands, further differences in economic structures, needs and potentials also exist between the Northern and Southern parts of the island of Malta. The well-off Northern part contains government functions and well developed tourism sites while the Southern part is characterised by a large manufacturing sector and large public plants and infrastructures in need of restructuring.

Main potentials	Main bottlenecks
Strategic location in the Mediterranean region, established tourist destination due to natural and cultural heritage attractiveness	Insularity resulting in low accessibility, high pressure on land-usage and environment due to high density of population, shortage of critical mass for economic activity (in terms of regional market, economic diversity), weak institutional structures for regional policy in the past

Characterisation of Projects/Programme Analysed: The Malta case study concentrated on the programme level by researching the impact of a "capacity building" project which was implemented through Twinning assistance. It aimed at strengthening of administrative capacity. The Pre-Accession Advisor assistance under this project comprised of five components:

- to enhance the knowledge of the Maltese authorities and socio-economic partners on the management and utilisation of the structural and pre-accession instruments,

- to finalise the National Development Plan,
- to elaborate a Single Programme Document (SPD) under Objective 1 for Malta,
- to formulate a Programme Complement to the SPD and
- to present the SPD.

Assessment of Policy with Regard to Potentials/Bottlenecks Addressed: The project addressed one essential bottleneck for regional development in Malta, namely the weak institutional structures for carrying out regional policies. The concrete objectives of the project were met and the following results achieved:

- improved capacity for administering SF by training several ministries and organisations,
- identification of relevant social partners for the implementation of regional policies by integrating them into the SPD elaboration process,
- exchange of experiences and grounding inspiration for future EU projects,
- elaboration of the SPD under assistance of external experts.

Beside these immediate effects in terms of institution building further territorial effects can be expected from implementation of the SPD. By taking into account the four formulated priorities of infrastructure and business investments, human resource development, rural development and fisheries and lastly special needs of Gozo, the SPD addresses the main bottlenecks of development in Malta. Thus, as of the successful institution building process, it can be stated that important preconditions have been developed for further successful tackling of remaining bottlenecks.

Assessment of Policy with Regard to Territorial Objectives: The accession process in the field of regional policy and especially the project for capacity building for the implementation of regional policy had a great influence on the perception of regional development issues in Malta. As a consequence the institutional foundations were laid to address further potentials and bottlenecks in a regional perspective in the future, thus addressing territorial objectives. With regard to the SPD it seems apparent that the elaborated strategy targets the major territorial and regional problems and presumably will affect future territorial and regional development positively.

Spatial Policy Recommendations: As of the positive assessment of the analysed project in this case study recommendations are very much related to the continuation of the undertaken approach:

- *Project level* – Continuation of "Twinning" as effective instrument for institution building (as far as there is further need for enhanced and sustainable institution building).
- *Programme level* – Continuation of integrated approaches with regard to the involvement of a variety of regional actors to design regional development strategies and funding priorities taking strongly into account regional specifics (potentials/bottlenecks).
- *Programme level design* – Enhanced awareness of the spatial problems deriving from insularity of island states and kind of 'double insularity' of island regions consisting of several island. These problems concern a number of different themes (e.g. low accessibility, small domestic markets, export barriers, environment protection) and thus accumulate.

Case Study of Estonia

Type of region: NUTS 2, peripheral small country

Spatial identity: Estonia is one of the smallest countries in Europe, in terms of both geographic size and population. The population density of Estonia is very low, with further population decline since the beginning of the 1990s due to natural population decrease and out-migration. In terms of urban agglomerations it is dominated by its capital region, where about 40% of the Estonian population lives. This domination has been further fostered by growing regional disparities in the transition period with regard to income and unemployment levels. The situation is most unfavourable in most counties located along the Eastern border.

In addition to these economic disparities, Estonia faces some serious environmental problems regarding air and water pollution, which are concentrated in the Tallinn region and the North-Eastern part of the country. They are mainly caused by the oil-shale burning power plants, chemical plants and cement factories as well as by municipal sewage pollution and agricultural runoff.

Main potentials	Main bottlenecks
Close integration with the Baltic Sea region, competitive structure of the economy, high formal education level of population, well developed transport and communication infrastructure.	Low private sector spending on innovation related activities, non-conformity of labour demand and supply in terms of qualification, peripherality of rural (Eastern) regions, spatially concentrated environ-mental problems.

Characterisation of Projects/Programme Analysed: Two pre-accession aid programmes have been analysed:

- The ISPA environmental strand, which focuses on measures enabling Estonia to comply with the priorities indicated in the National Programme for the Adoption of the Aquis and on the approximation with the most costly directives on urban waste water, drinking water, large combustion plants, air quality framework, landfills and several other directives related to solid waste management and recycling. Until February 2004 ISPA funds were committed to 12 environmental projects investing either in communal waste, wastewater or water management.
- PHARE ESC programme was introduced in 2000 differentiating between three types of sub-programmes:
  - projects for selected problem regions containing several components like business development, tourism development or employment and training,
  - specific investments for one beneficiary, like developments of science or technology parks,
  - grant schemes, where several beneficiaries can apply, e.g. Industrial Infrastructure Grant Scheme or Tourism Grant scheme.

  In total, 9 projects have been funded with a total budget of 17,5 Mio. € since 2000 under the PHARE ESC programme.

Assessment of Policy with Regard to Potentials/Bottlenecks Addressed: Both programmes address important regional potentials and bottlenecks. Yet, impact assessment proofed impossible due to the early stage of programme implementation.

Concerning the PHARE ESC programme it is expected to affect the socio-economic development in an indirect way by improving the living and business environment in the areas supported – in line with regional

development plans. Direct effects will be less relevant, since PHARE is directed towards local authorities, who are not in the position to directly create employment or payments. Above all, the programme provides the beneficiaries with additional funding and gives incentives to mobilise local/regional resources (for co-financing) for already envisaged investments.

Concerning ISPA, expected environmental impacts are clearly defined and will be assessed in light of the requirements of the EU directives one year after completion of projects or even later. ISPA projects are difficult to be assessed with regard to wider territorial impacts in terms of socio-economic development. Obviously projects contribute also to fulfil basic needs of the population by establishing basic technical infrastructure in the municipalities concerned. Moreover, as far as local workers are employed and local materials are used for the implementation of projects further side effects occur. Impacts with regard to improved attractiveness of regions due to improved environmental quality will probably be of an indirect character and are thus not measurable.

Assessment of Policy with Regard to Territorial Objectives: In a small country like in Estonia, spatial development issues seem to be equally relevant on national and European level but less relevant on regional level. This became apparent in the PHARE ESC programme which aimed at cohesion on national level by supporting underdeveloped regions within Estonia and at spatial integration and cohesion on European level by supporting national growth poles. The ISPA environmental strand on the other side aims at achieving European standards in terms of environmental infrastructure and quality for the whole country whereas spatial development objectives on micro level are not relevant.

Analysis showed that territorial development objectives are not equally relevant for all fields of action addressed by pre-accession aid. For instance, ISPA environmental projects support the nationwide implementation of EU environmental directives rather than territorial objectives. Although environmental quality constitutes an important regional development potential and one would expect effects on regional development, spatial development issues are not considered for the programme implementation and wider impacts on socio-economic development are hardly to assess.

Spatial Policy Recommendations: As this case study focussed on different programmes, summarising comments focus on programmes rather than projects:

- Coherent strategies and institutional structures of pre-accession aid programmes and national policies proofed to be effective to ensure smooth implementation of and high absorption capacity for programmes.
- Programme regulations need to be flexible to adapt them to the specific regional situation and needs. This can, for instance, be highlighted by analysis of ISPA environmental strand, where effectiveness and impacts could possibly be increased by enabling more flexible solutions especially for the size of projects. Such flexibility could also be utilised for balancing different spatial objectives at different spatial levels.

6.4.2 Comparability of Case Studies

As above boxes and in a comparative view also Table 6-9 show, the case studies cover a variety of research areas which differ with regard to the territorial level and the spatial and economic structure of the different regions under consideration. Furthermore, also the analysed pre-accession aid measures varied with regard to the level – project or programme level -, the type of intervention and the date and stage of implementation. Due to these differences between cases it is difficult to directly compare the majority of them and generalisation of findings has to remain tentative. Nevertheless, the variety of case studies enables to draw conclusions from several perspectives and on several topics. This the more as the case studies highlight different extents of impacts, some of them being very much in line with territorial objective settings while others seem to fail these objectives. In total, some important findings can be highlighted though, which together with the quantitative analysis allow for further conclusions on territorial impacts of pre-accession aid.

Table 6-9: Comparability of Case Studies – Overview

	Spatial level	Region type	Intervention type	Project / programme level
Silesia	NUTS 2	Old industrial	Regional development	Programme
Mazovia	NUTS 2	Capital	Transport infrastructure	Project
Borsod-Abaúj-Zemplén	NUTS 3	Old industrial	Integrated crisis management	Programme

Szabolcs-Szatmár-Bereg	NUTS 3	Peripheral rural	Integrated crisis management	Project / programme
Malta	NUTS 2	Peripheral island	Institutional capacity building	Project
Estonia	NUTS 2	Small peripheral country	Environment / economic and social cohesion	Programme

6.4.3 Limitation of Impact Assessment

Besides the limitations applying for above quantitative analysis several difficulties occurred for qualitative in-depth analysis as well.

The general problem of separation of influences amongst the variety of factors affecting spatial development proofed to be relevant for the case studies as well, at least in terms of impact assessment if not the measurement of effects. Regarding infrastructure investments or human capital measures effects might be directly visible and their effect on regional potentials/bottlenecks directly concerned can also be discussed but the impact on broader regional development trends, let alone general regional impact indicators is hardly to assess. This applies to institution building measures as well, where direct effects in terms of increased institutional capacity can be observed but if and how these contribute to regional development in socio-economic terms remains vague. Moreover, also on case by case basis the level of spending proved to be too low to reveal significant effects.

In several cases the stage of project implementation hampers the evaluation of impacts further, since projects are either still in progress or have just recently been completed. On the other hand, for earlier projects other data problems obstruct impact analysis. Such problems are lost data and documentation, fluctuation of responsible persons or incomplete projects due to implementation difficulties.

Finally, territorial impact assessment also of the case studies is limited by data availability on regional level. Due to changing administrative boundaries time series for socio-economic indicators are often neither complete nor comparable. Moreover, projects often do not fit to administrative boundaries but cover several uneven parts of different regions. And even if a project is restricted to a defined region, impacts might develop outside the regional boundaries as well.

6.4.4 Assessment of Case Studies with Regard to Potentials and Bottlenecks

Analysed pre-accession aid interventions addressed regional potentials and bottlenecks in different ways and to different extents. Some of the interventions focused on one specific regional bottleneck or potential, while other projects aimed at influencing several regional potentials or bottlenecks simultaneously.

The case studies included good and bad examples with regard to the extent regional potentials and bottlenecks were addressed. Some programmes supported development by a mixture of measures aiming at both, the reduction of several bottlenecks (e.g. poor infrastructure) and strengthening of potentials (e.g. development of human resources or strengthening of innovation capacity). This approach seems to be adequate to face the complex structure and development problems of these regions. Thus, these interventions can be assessed rather positively and are expected to reveal positive impacts on territorial development. The integrated restructuring programmes in the two Hungarian regions followed a similar approach, but failed in implementing a balanced mixture of measures. Although the elaborated development programmes seemed to tackle the regional situation in an appropriate way and with wide support of regional actors, their proper implementation was constrained by institutional conflicts and at the end only one-sided investments in regional infrastructure have been realised. Since these investments were not accompanied by further measures within an integrated concept the improved infrastructure remained widely unused due to continuing bottlenecks in other fields. Thus, not only the positive but also the negative examples support the option of a balanced mixtures of policy interventions, which can be integrated in different kinds of policy packages as put forward in chapter 11 on policy options. Furthermore, they also indicate the importance of stable and cooperative institutional structures for successful pre-accession aid intervention, which certainly holds similarly for other measures such as the SF.

The two cases focusing on one field of action, namely transport infrastructure and environmental infrastructure, were less strongly focussed on regional potentials and bottlenecks. This is very much due to their character as being part of Europe wide activities, i.e. the Pan-European Transport corridor and environmental directives. Thus, their scale and focus is predefined and overall objectives prevail over regional development objectives. Hence, such projects should be assessed on macro level rather than on lower spatial levels. Within this frame these two interventions also revealed positive effects on the potentials/bottlenecks addressed.

6.4.5 Assessment with Regard to Territorial Development Objectives

Territorial development objectives were only partly explicitly addressed by the analysed pre-accession aid interventions. Such territorial orientation largely depended upon the field of action and the overall framework determining the intervention. Programmes supporting regional restructuring had an explicit orientation towards different territorial development issues. While the LGF and the Hungarian restructuring programmes aimed at spatial cohesion on national level by supporting lagging regions the PHARE ESC programme in Estonia recently emphasised the competitiveness objective beside the cohesion objective on national level. Some of the measures of the analysed LGF and PHARE ESC programmes implicitly also bear the polycentricity objective, in as far as they aim to develop new employment options through support for SMEs or the development of science and technology parks. An explicit focus on territorial development objectives can also be observed in case of transport infrastructure investments in Mazovia region. As ‚part of the broader Pan-European transport corridor the investment aims at contributing to spatial integration on European level. ISPA environmental projects, however, are not explicitly oriented towards territorial development objectives. Nevertheless, by fostering European-wide implementation of environmental directives they contribute to territorial cohesion in terms of equalisation of environmental standards.

A comparison of these findings reveals the relevance of the spatial three level approach when discussing policy impacts with regard to territorial objectives:

- *Spatial objectives and impacts might be conflicting between different levels* – For instance, the infrastructure interventions analysed in the case study in Mazovia addressed objectives on macro- and meso level, at which also effects dominated. However, the regional micro level was not taken into account when formulating objectives and was also only partly positively affected.
- *Beside the spatial level addressed in the formulation of programmes, achievements obviously depend on the scale of projects* – E. g. in the case of the Silesian LGF regional restructuring aimed at cohesion on national level. Yet, due to the very limited budget of projects, effects mainly occurred on local level. Thus, impacts were realised but at a different spatial level than originally formulated.
- *The size of the country determines the relevance of spatial levels* – In the small countries analysed, the territorial developments on intra-national regional level did not seem to be of high priority. In both cases European

interventions pushed national policies towards putting more emphasis on regional policies and thus on territorial development objectives on meso and micro level. As it could be observed in the case of Estonia, the focus nevertheless remains on overall national development and European integration also in spatial terms.

6.5 Review of Territorial Impact Assessment – Policy Options

The following section aims to draw common conclusions on meta analysis, quantitative and qualitative impact analysis. All analysis elements highlight that detailed assessment and measurement of territorial impacts of pre-accession aid are hardly to be achieved, which is due to

- methodological problems (e.g. separation of influences, low intervention level),
- data constraints (e.g. related to regionalised policy data) and
- the character of impacts itself (e.g. mainly indirect, long-term nature).[38]

Nevertheless, in many respects the pre-accession funds provided in the Central and East European Candidate Countries and new Member States contribute to the territorial objectives through the achievement of their own primary aims. Territorial and spatial development themes are not necessarily explicitly addressed, but the shared objectives of promoting convergence with the EU 15 and accession to the EU are very much in keeping with territorial objectives. There were very few explicit links between the programmes and territorial goals. Yet, on a number of levels the programme linked with the objective of balanced territorial development.

As was to be expected against this methodological background and primary focus of pre-accession aid, quantitative analysis did not reveal any direct relation between pre-accession aid spending and regional development in terms of GDP and employment dynamics. Although for some countries a positive relation between pre-accession aid spending levels and GDP growth per region could be observed no causality between these observations can be assumed. More promising is the consideration of single regional development potentials with respect to their contribution to overall regional development and regarding impacts of specific pre-accession aid interventions on the potentials addressed. In this context, correlation analysis revealed significant relations between the regional endowment with selected potentials and the regional performance in terms of GDP and employment dynamics. Besides, preliminary regression analyses indicated for causal relations between the regional potential provision and socio-

[38] For detailed discussion on these limitations see the respective sections.

economic impact indicators, though impacts do not seem to be equally imminent on income growth and unemployment development.

Drawing these conclusions suggests, that pre-accession aid might affect overall regional developments as far as interventions support the improvement of selected regional potentials respectively the reduction of the analogous bottlenecks. Yet, these influences are only measurable if the interventions tackle the respective potential in such way that available indicators are affected to a significant extent.

These results point to the importance of overall regional framework conditions in terms of balanced endowment with all relevant development potentials. Regional development has to be considered as a complex process driven by a system of interdependent potentials and influences from several spatial levels. Accordingly, balanced interventions addressing the complex structure of regional potentials and taking account of fundamental bottlenecks are needed to increase impacts of policy interventions. However, as the overview on regional pre-accession aid spending showed, a balanced mixture of priorities can be observed only in few regions, while in many regions spending concentrated on one field of action, thus was neither widespread nor tackling major problem areas simultaneously. In particular, this applies to measures addressing human and business resources, of which often only one or two different priorities were funded. It can be assumed, however, that especially effects of these "soft" measures are mutually interdependent, since e.g. labour market interventions can only reveal impacts on regional developments if the sector structure offers employment opportunities or sufficient capital supply allows to transfer high labour market potentials into innovative activities.

In this analytical context, case study analysis supplemented the findings and themes of the quantitative approach and emphasised the importance of selected potentials not included in the quantitative analysis. Especially the influence of regional institutional conditions was highlighted by the case studies. They revealed that

- interventions addressing the institutional conditions themselves can be expected to have indirect effects on spatial developments in the long-term;
- poor institutional conditions might considerably hamper the extent to which pre-accession aid interventions can be implemented successfully;
- successful implementation of pre-accession aid projects can affect regional institutional conditions positively by strengthening institutional structures and capabilities.

In addition, the qualitative analysis provides insights into the mechanisms of how interventions affect regional potentials or even spatial developments, thus allowing to fill in blank spaces of the quantitative analysis. Here, qualitative analysis provides important support for comprehensive interpretations with regard to different spatial levels. E.g. quantitative analysis showed that the priority of transport infrastructure investments has been comparatively high in regions already showing relatively high levels of accessibility, these often being regions endowed with major urban agglomerations. One might argue, that these investments are nevertheless justifiable, since accessibility indicators do not fully take into account different qualitative levels of infrastructure. In the light of increasing traffic loads however, poor quality of transport infrastructure, in many of the main urban agglomerations in the new Member States and Candidate Countries, increasingly represents considerable bottlenecks for regional developments.

It has been stressed in several respects that the type of region has to be taken into account to facilitate expected territorial impacts of policy interventions. First, this applies to the overall regional targeting of funds. Quantitative analysis neither showed a clear targeting of funds towards regions with low GDP levels in national average, and thus towards the spatial cohesion objective nor towards regions with above national average GDP levels and dynamics, thus towards the competitiveness objective. Second, the regional characteristic in terms of potential endowment has to be taken into account to select the appropriate fields of actions. Also in this respect no clear variation of priorities/fields of action according to the typology of regions established by ESPON project 2.2.2 could be observed. Therefore, to gain a clearer picture and basis for policy option development, the results provided in this chapter should be regarded together with the results of potential and cluster analysis in chapter 5.

Furthermore, the analyses underlined the importance of country specific differences in several respects:

- *Policy strategies differ significantly between countries* – In some countries high spending levels are related to low GDP levels, in some countries it was the other way round and in other countries no relation could be observed at all. This hints to different policy priorities in terms of spatial objectives addressed. These quantitative findings were supported by case study analyses. Accordingly national strategies clearly affect impacts of pre-accession aid interventions on regional level.
- *Different national institutional frameworks notably influence the extent to which pre-accession aid projects were implemented successfully* – This again is decisive for the likeliness of expected spatial impacts.

- *National macroeconomic frameworks and conditions strongly influence regional developments* – This gives further significance to the already mentioned problem of separation of influences on developments on regional level and of assessing regional impacts of interventions on national level.

The comparison of regional spending levels and priorities in two successive periods indicates further findings. Since spending priorities shift notably within regions between the two periods, limited levels of continuity of pre-accession aid interventions can be assumed. Certain degrees of continuity of interventions are however requested for impacts to develop, especially in human and business related fields. Moreover, changes in regional spending levels and priorities might result in changing results of territorial impact assessment for different periods.

Taking all these results together, the initially raised hypothesis about the indirect impacts of pre-accession aid on territorial objectives as of its differing primary aim can be supported. Furthermore, also the variety of spatial objectives at different spatial levels was found, which made the whole impact assessment less clear and straight forward. Furthermore, the relevance of country specific and region specific influences on the absorption of pre-accession aid as stated in the hypotheses was confirmed.

From the above analysis policy options can be developed mainly with regard to the overall structure, objectives and implementation procedures of interventions. Below provided proposals can be understood as options rather than straight forward recommendations as they indicate the issues to be recognised for successful policy implementation in terms of achievements of territorial objectives. For an overview, these issues are in the end of this section then summarised as kind of a possible checklist supporting high quality project selection and programme development.

- Functioning institutional structures are a prerequisite for successful implementation of programmes and projects. Capable institutional structures on all three spatial levels need to be developed and sound coordination mechanisms between all levels are needed. The institutional capacity is the most important factor for providing high regional absorption capacity and further thematic oriented programmes and projects achieving their objectives.
- For all interventions it should be decided whether territorial development objectives are relevant or should be explicitly addressed. Furthermore, relevant objectives should be precisely defined and criteria should be developed to allow for territorial impact assessment. Even if the spatial

dimension is not explicitly addressed the awareness of spatial consequences of interventions should be developed.

- Precise definition of objectives and assessment criteria also requests consideration of all spatial levels. Conflicting objectives and impacts between spatial levels should be met in due time. For instance, integration of actors from all relevant spatial levels in the decision and implementation process could help to prevent negative side-effects on one or another level.
- Depending on the accumulation of bottlenecks, long-term integrated strategies are needed which address the main regional potentials and bottlenecks simultaneously to prevent that problems are either shifted to other places or levels or to other bottlenecks. In particular on lower spatial levels, one-sided investments did not seem to be effective, since the extent to which an enhanced potential can be utilised for fostering development depends on the state of several other potential factors.
- Relevant potentials/bottlenecks can differ between spatial levels. Thus, e.g. on macro level, other bottlenecks might impede macro level cohesion or polycentricity than on regional or local level. This reveals the necessity of precise and level specific identification of potentials/bottlenecks. In particular on macro level, one-sided investments or sector specific investments like TEN can lay the foundation for further achievements of territorial objectives.
- Programmes and projects should be flexible in their scope as well as scale. There are no one-size-fits-all solutions, but to be effective and efficient interventions need to be adapted to the specific regional and national situation in terms of fields of action and scale of project.

Policy Options "Checklist"

Institutional capacity: Are the institutional structures stable and sufficient? Can they efficiently support the programme's/project's implementation on the respective levels concerned? – If not, institution building measures need to be implemented first.

Territorial development objectives (in general): Which territorial objectives are relevant for the programme/project and how can they be made precise? Which of these shall be made explicit? According to which criteria shall impacts become visible?

In case of only implicit territorial objectives – What are likely spatial consequences of the programme/project?

Spatial levels addressed: Which spatial levels shall be addressed and is this realistic with the funds provided? Which funds are needed for appropriately addressing the chosen spatial level? Are there conflicts between objectives or consequences at different levels?

Identification of needs on relevant spatial levels: Which are the main potentials/bottlenecks on the spatial levels addressed? Are there bottlenecks which need to be tackled first as they otherwise impede successful implementation of measures aiming at other themes?

Thematic scope of interventions: Can territorial objectives be realised through the programme/project appropriately by means of separate thematic interventions or more integrated policy packages? Furthermore, do links, overlaps or contradictions exist between the planned programme/project and sector/national policies? (These questions imply a combined review of the last two foregone questions.)

7 Regional and Spatial Impacts of Trans-national and Cross-border Cooperation

7.1 Introduction

Spatial impacts do not only derive from interventions within single regions, but level and forms of regional cooperations play a crucial role for regional development as well. Under the objective of spatial integration the EU addresses cooperation and links between regions within several programmes, the main ones being INTERREG in Member States, PHARE CBC in Candidate Countries and TACIS CBC in neighbouring countries. This chapter focuses on spatial impacts of these interventions by analysing, firstly, cross-border cooperation and secondly, trans-national cooperation. Following this introduction to the mentioned EU programmes for spatial cooperation, results within both cooperation areas are discussed one after the other. The analysis is based on a review of existing documents as well as case study findings.[1]

The EU granted support for cross-border pilot projects for the first time in 1989, when a sum of €21 mio. was allocated in 14 groups of pilot projects (under Article 10 of ERDF). These projects were designed to tackle the structural development difficulties of border areas in two respects: on the one hand by addressing the institutional separation of border communities and the resulting economic and social separation; on the other hand by improving the actual peripheral location of cross-border regions in relation to their respective national economic centers. These pilot projects were the basis upon which, in 1990, the Commission created the INTERREG I Community Initiative which - involving an amount of €1.085 mio. - aimed in particular at the economic development and restructuring of border areas. In the following programming periods the Community Initiative was continued as INTERREG II (1994-1999 – €3.3 billion [bn.]) and INTERREG III (2000-2006 - €4.8 bn.) with a widened scope, now including trans-national and interregional cooperation as well as cross-border cooperation.

The main objectives of INTERREG III are:

- Economic and social cohesion,
- balanced and sustainable development of the European territory
- territorial integration with candidates and other neighbouring countries

In preparation for enlargement, Interreg III gives special attention to the Community's external borders. Cooperation involving the outermost regions

[1] See chapter 12 for the methodological approach of the case study analysis.

of the Community, the Balkans and island regions is strongly encouraged. Interreg III has been implemented along three strands:

- *Strand A* - cross-border cooperation: promoting integrated regional development between neighbouring border regions, including external borders and certain maritime borders;
- *Strand B* – trans-national cooperation: contributing to harmonious territorial integration across the Community;
- *Strand C* - interregional cooperation: improving regional development and cohesion policies and techniques through trans-national/interregional cooperation.

Since INTERREG funds are only available for Member States, additional instruments had to be found to enable third countries to take part in regional cooperations. Participation in cross-border cooperation programmes has been rendered possible for Candidate Countries through the introduction of the PHARE Cross-border Cooperation programmes (PHARE CBC) and for third countries with the introduction of TACIS CBC. National PHARE, ISPA and SAPARD funds can be used in the Candidate Countries to participate in INTERREG IIIB macro-region programmes. The following table provides an overview of the mentioned programmes.

Table 7-1: Overview of INTERREG, PHARE CBC and TACIS CBC

Programme	Participating regions / countries	Main priorities
INTERREG II (1994-1999)		
Strand A - cross-border cooperation (budget: € 2.4 bn.)	NUTS III areas of the Community situated on internal and external borders	- Assistance for the community's internal and external border areas in overcoming specific development problems - encouragement of cooperation networks - promotion of adaptation of the external border areas - creation of new opportunities for cooperation with third countries
Strand B – interregional cooperation (budget: € 500 mio.)	Cooperation among selected regions in Greece, Portugal, Italy and Spain	Completion of energy networks (gas and electricity) – continuation of REGEN initiative

Strand C – trans-national cooperation (budget: € 420 mio.)	Trans-national cooperation areas: ▪ North Sea Region ▪ North-Western Metropolitan Area ▪ South-Western Europe ▪ CADSES ▪ Baltic Sea Region ▪ Western Mediterranean and Latin Alps ▪ Atlantic Area - Flood mitigation: Flooding Rhein Maas (F, B, L, D, NL & Switzerland), France and Italy - Drought Prevention: Portugal, Spain, Italy	- Promotion of harmonious and balanced development in EU - fostering trans-national cooperation in the field of spatial planning by the Member States, regions and other authorities and participants; - improvement of the impact of Community policies on spatial development
Pilot actions under Art. 10- ERDF (budget: € 21 mio.)	- Northern Periphery (UK, FIN, S) - Eastern Alps (A, I & D) - Central and Eastern Mediterranean Space - Archimed" (GR, MT,CY)	Same as INTERREG IIC
INTERREG III (2000-2006)		
Strand A - cross border cooperation (budget: € 2.1 bn)	NUTS III areas of the Community situated on internal and external borders	Promotion of integrated regional development between neighbouring border regions, including external borders and certain maritime borders
Strand B – trans-national cooperation (budget: € 1.5 bn)	Macro regions: ▪ Alpine Space ▪ Archimed ▪ Atlantic Area ▪ Baltic Sea Region ▪ CADSES ▪ North Sea Region ▪ North West Europe ▪ Northern Periphery ▪ South West Europe ▪ Western Mediterranean	Contributing to harmonious territorial integration across the Community (spatial development/ transportation/ information society/ environment/ natural and cultural resources)

Strand C – interregional cooperation (budget. € 315 mio.)	Entire territory of the Community (regions lagging behind and those undergoing conversion)	Improvement of regional development and cohesion policies and techniques through trans-national/interregional cooperation
PHARE CBC	Borders between the ten CEECs and with the EU	Economic development/training/ education/environment/labour market/culture/media/health/ social services.
TACIS CBC	Borders between partners in Eastern Europe and Central Asia (Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgykistan, Moldova, Russia, Tjikistan, Turkmenistan & Uzbekistan) and the EU or Candidate Countries	- Assistance for border regions to overcome their developmental problems - encouragement of cross-border networks - acceleration of the transformation process in the partner states - reduction of trans-boundary environmental risks and pollution - technical assistance

7.2 Impacts of Cross-Border Cooperation

Border situations often imply significant disadvantages in terms of socio-economic development for the bordering regions which are characterised by a peripheral status within their country as well as cut-off market and commuting areas. While border regions within the EU 15 have basically lost their peripheral status and partially even have become core zones of economic development, border regions along and between the new Member States of the EU are in many cases still disadvantaged regions. Although trade barriers have been reduced between these countries and regions still other barriers such as incompatible infrastructures, institutional procedures, disparities in legal systems and mental models remain. These barriers are even more significant along the (new) external borders between new Member States and third countries.

The existing degree of border integration may be "high", "intermediate" or "low":

- *Low* - if the two border regions operate as separate socio-economic units;

- *Intermediate* - if various forms of cooperation between public institutions, private business and other interests from either side of the border exist;
- *High* - if the two sides of the border effectively function as a single socio-economic unit (cross-border region) with its own cross-border institutions.[2]

7.2.1 Objectives, Structures and Effects of the EUs Cross-border Cooperation Programmes

The main programmes developed for supporting cross-border integration in the last decade were INTERREG IIA and IIIA applicable in the Member States as well as PHARE CBC for Candidate Countries and TACIS CBC for third countries. In the following these programmes are described with regard to their objectives, implementation structures and existing evaluations.

7.2.1.1 INTERREG II A (1994-1999) and III A (2000-2006)

The overall objective of the INTERREG strand A initiatives was and is to develop cross-border economic and social cooperation through joint strategies for sustainable development. This part of the INTERREG initiative concerns direct cooperation between neighbouring local/regional authorities and social partners on common planning and implementation of programmes and projects. With wide involvement of regional and local actors coherent strategies for border areas should be developed and implemented, which have impacts on both sides of the border.

Areas eligible for Interreg II/III A are all NUTS III regions along the Community's internal and external land borders as well as certain maritime areas. In certain cases Community assistance could also be granted for measures undertaken in areas bordering on or surrounded by these eligible areas, provided they involve a high level of cross-border cooperation (up to 20% of the budget of the programme concerned).

INTERREG IIA

The 59 programmes supported under INTERREG IIA in the period 1994-1999 focused on cooperation activities in various fields which can be subsumed under four main areas:

1. cross-border planning measures,
2. cross-border infrastructure development (telecommunication, transport),

[2] For a comparable model on stages of border integration see e.g. Deckers (2004: 19).

3. cross-border economic development (support for SMEs, tourism development, agricultural restructuring),
4. socio-cultural cooperation (cooperation of education and research institutes, cooperation of health services).

The INTERREG IIA initiative is assessed to have had significant impact on spatial integration by contributing to:

- The construction of Europe and the integration of regions belonging to the institutional structures of various Member States,
- Cohesion and economic and social cooperation between regions which are particularly disadvantaged due to the presence of borders,
- Opening up labour markets and harmonizing professional qualifications, thus promoting labour market unification at the European level,
- Implementing the principles of subsidiarity and partnership on the basis of direct participation by the local and regional actors and the socio-economic partners,
- Preparing the accession of new members in particular through cooperation and the transfer of know-how between Community regions and those in the Candidate Countries.

Added value moreover derived from improved institutional conditions (acquaintance with and cooperation between territorial authorities and bodies as well as social partners) and socio-cultural exchange (exchange of information and know-how in the regions). Both factors are assessed to be an important prerequisite for creating cooperation opportunities in other areas, especially economic development and cooperation.

However, INTERREG IIA also showed some shortcomings[3]. Especially in Southern Europe border regions often lacked experience with cooperation. As a result local and regional actors and social partners were only to a limited extent involved. Border regions on the EU's external borders had to overcome the greatest obstacles during the implementation of INTERREG due to their peripheral location, long isolation and separation from neighbouring countries.

In many cases the actual cross-border nature of INTERREG IIA did not emerge very clearly, especially in cases where INTERREG programmes mainly addressed infrastructure and endogenous development only on one side of the border.

[3]European Commission (2000)

INTERREG IIIA

Support for cross-border cooperation was continued in the period 2000-2006 under the INTERREG IIIA initiative with - based on the experience of INTERREG IIA – further developed priorities and structures. Priority is now given to the following types of measures:

- *Promotion of urban, rural and coastal development* - analysis of cross-border areas, planning and protection of cross-border areas (natural parks, industrial estates, forestry resources, coastal areas), cross-border tourism, joint creation and management of resources and infrastructure to prevent natural disasters;
- *Development of entrepreneurial spirit and small and medium-sized enterprises (SMEs), tourism, local development and employment initiatives* - assistance for cross-border networks of economic relations between SMEs, for investment in businesses, creating an overall supply of cross-border tourism (promotion, market studies, joint reservation systems), setting up neighbourhood services for employment;
- *Creating an integrated labour market and promoting social inclusion* - promoting equal opportunities for men and women, developing cross-border partnerships between the European employment services and information for workers, cooperation on vocational training, mutual recognition of diplomas, arrangements for transferring pension rights;
- *Cooperation on research, technological development, education, culture, communications, health and civil protection* - creating and using joint resources in these fields to improve the competitiveness of cross-border regions, organizing cultural events (exhibitions, festivals) with lasting effects in terms of cooperation and employment;
- *Environmental protection, energy efficiency and renewable energies* - preventing, controlling and rehabilitating environmental deterioration, encouraging the rational use of energy, recycling and waste elimination, creating and/or jointly using water treatment resources and infrastructure, using alternative energy sources, etc.;
- *Basic infrastructure of cross-border importance* - removing obstacles to public transport, providing access to European transport networks, providing cross-border facilities in telecommunications and water and energy systems;

- *Cooperation in the legal and administrative fields* - reducing the problems posed by the existence of different legal and administrative systems (social security, tax, illicit trafficking, immigration and asylum, civil protection), improving security at external borders;
- *Cooperation between citizens and institutions* - language training, creating funds with limited resources (micro project facility) to implement small projects for the citizens and to organise one-off events;
- *Technical assistance:* studies on preparing cross-border strategies and assistance in setting up joint management structures.

In order to enhance the cross-border nature of projects and to achieve higher impacts on spatial integration INTERREG IIIA programmes have to give greater weight to the choice of relevant types of action and an implementation procedure involving partners from both sides of the border. Based on an in-depth analysis of the border situation with regard to development problems, but also common potentials deriving from the border situation, programmes should focus on a small number of carefully chosen and defined priorities with appropriate and effective measures. Internal consistency of the programme and a clear understanding of how each "string" of objectives, activities and implementation methods ultimately leads to results and impacts is seen as precondition for a successful intervention through INTERREG IIIA.

The INTERREG IIIA initiative is expected to have an impact on two dimensions: greater trans-border integration and regional development. However, due to the special development situation of border regions impacts on social and economic cohesion are not easily to be measured and not adequately recognised with simple categories like jobs created or GDP. The notion of integration is complex, covering socio-economic, physical and institutional aspects. Socio-economic aspects cover a particularly wide spectrum ranging from the extent to which local businesses operate on the opposite side of the border to educational or cultural links. Institutional aspects can range in intensity from contacts, forums, working committees between counterpart bodies to the establishment of permanent cross-border structures.

INTERREG programmes are implemented in most regions in structural interventions that are parallel to others. Therefore, the complementarity and proportionality of the INTERREG intervention are major additional factors in deciding how to estimate the impact of a particular intervention. In the case of relatively small INTERREG programmes, which are clearly focused on achieving greater cross-border cooperation and integration, it will therefore

be more appropriate to ask for impacts in terms of changes in development conditions rather than development itself. Conversely, if programmes were to be accepted under INTERREG IIIA with a limited degree of cross-border cooperation and integration, greater emphasis should need to be placed on other criteria, similarly to those used for mainstream regional development programmes. In the majority of the internal land borders and some maritime borders in Northern Europe, there are already fully integrated management structures and processes in place for INTERREG IIIA programmes.

7.2.1.2 Phare – CBC

To mirror INTERREG IIA and subsequently IIIA in the Candidate Countries, PHARE cross-border cooperation was introduced in 1994 within the PHARE programme. In the beginning PHARE CBC covered border regions between PHARE beneficiary countries and the EU Member States. In 1998 it was extended to cover border regions between Candidate Countries, which is important for contributing to economic development in the respective areas of these countries and for preparing the regions of these countries as effectively as possible for participation in the INTERREG programmes. With progress of the programme coordination with INTERREG IIIA improved step by step and since 2000 Joint Operational Programmes for all border regions between Candidate Countries and EU 15 countries as well as between Candidate Countries have been developed.

The main fields of cross-border action are: 1. economic development, 2. tourism, 3. environment, 4. training, education, labour market, 5. culture and media and 6. health and social services. Transport and some other objectives represent a major field of action in the case of less developed EU regions and most border regions covered by Phare CBC. In all border regions Small Project Funds (SPF) operate in order to involve local and regional authorities in smaller cross-border cooperation projects, usually limited to an amount of €50 000.

Evaluations of PHARE CBC were in general quite positive in the last years. Weaknesses of the first period lasting from 1994-1998 have been addressed in the new PAHRE CBC regulation for the period 2000-2006. Beside the development of joint programming documents and the extension to borders between Candidate Countries, the integration of PHARE CBC to national regional policies and the establishment of joint bodies for programming and monitoring were the most important improvements[4]. These improvements also brought PHARE CBC closer to INTERREG IIIA procedures.

[4] European Commission (2001)

The mid-term evaluation for the period 1999-2002[5] also stated positive effects of the PHARE CBC programme especially with regard to support for regional development and capacity building for INTERREG. Although, in general, PHARE CBC funded projects meet local needs and have immediate effects on economic and environmental conditions, impacts with regard to spatial integration are limited due to some still apparent shortcomings of the programme. The focus on transport and environmental infrastructure projects, while meeting local needs, often does not directly contribute to the development of cross-border cooperation. Moreover, the total amount of funding is comparatively small and priority has often been given to large infrastructure projects instead of smaller "soft" actions. However, SPFs demonstrated the potential to mobilize local level interest in cross border activities in areas other than infrastructure and environment.

Only a minority of projects (about 10%) have explicitly identified a "mirror" project on the other side of the border while a large share of projects had either a primary focus on regional or local development within the region. Programming and implementation in these cases did not explicitly include cross-border elements and did not provide funding for complementary activities under INTERREG. PHARE CBC rules with separate tendering, assessment, contracting and financing present significant deterrents to applicants undertaking mirror or joint projects.[6]

PHARE CBC has had a very strong positive impact with regard to capacity building for Structural Funds (SF), since it provided local and regional authorities with experiences in developing and managing significant projects under EU regulations and working structures for programming and implementation have been put in place. In this regard, especially Joint Small Project Funds and Grant Schemes proofed to be of high importance since those are the closest approximation to SF-type measures.

7.2.1.3 TACIS CBC[7]

To support cross-border cooperation at borders between Candidate Countries and third countries TACIS funds can be used. In 1992, the financing mechanism T.A.C.I.S. [Technical Assistance to the Commonwealth of Independent States] was created and served to provide economic support to countries of the Commonwealth of Independent States [CIS], i.e. to the States that developed as a result of the dissolution of the Soviet Union, with the exception of the Baltic countries. TACIS has been established by the

[5] European Commission (2004a)
[6] European Commission (2004a)
[7] See 1st reference and European Commission (1997): Tacis Interim Evaluation, Synthesis report.

European Union in order to promote the transition to a market economy, to reinforce democracy and the rule of law in the partner states in Eastern Europe and Central Asia (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzistan, Moldova, Mongolia, Russia, Tajikistan, Turkmenistan, Ukraine & Uzbekistan) and to link the EU to these thirteen partner countries.

One main focus of TACIS is to promote inter-state, interregional and cross-border cooperation between the partner states themselves, between partner states and the European Union and between partner states and the countries of Central and Eastern Europe. TACIS CBC aims at encouraging the linking of networks on both sides of the border, accelerating the transformation process in the partner states through their cooperation with border regions in the European Union and Central and Eastern Europe and reducing trans-boundary environmental risks and pollution. As a technical assistance programme TACIS mainly supports the transfer of expertise and know-how.

7.2.2 Case Study Analysis on Cross-border Cooperation

To deepen above analysis based on the review of existing documents three case studies have been conducted, including different types of border regions: 1.) Polish-German border region Viadrina (EU 15 / new Member State), 2.) Hungarian-Slovakian border (internal new Member States) and 3.) Hungarian-Ukrainian border (New Member State/third country). The following sections discuss the results of the case study analysis with regard to the comparability of the case study regions, the scope of impact assessment, the assessment of policies with regard to potentials/bottlenecks and with regard to spatial development objectives. Finally, the main case study findings are presented one by one and concluding policy recommendations are formulated.[8]

7.2.2.1 Comparability of Case Studies

The three analysed border regions differ significantly in their socio-economic development potentials and the degree to which the border affects the regional situation. While the Polish-German border can be assessed as being rather permeable and situated on an important axes between the agglomerations Berlin and Warsaw, the Hungarian-Slovakian border region has a far more peripheral character and the border seems to be less permeable. The two factors of peripheral status and impermeable border are even stronger in case of the Hungarian-Ukrainian border. Accordingly the Polish-German border seems to be the one with the highest degree of

[8] For more detailed information on the single case studies see ESPON 2.2.2 3rd Interim Report, chapter 9.

integration amongst the three cases so far. Moreover, although the border region shows significant development problems, e.g. in terms of high unemployment rates, selected economic sectors like trade, retail, foreign tourism and FDI developed dynamically in the last years. Development problems in the two border regions between Hungary and Slovakia as well as Hungary and the Ukraine seem to be more severe and the border situation does not provide advantages even for selected economic activities.

All three border regions established Euroregions in the mid-1990s. However, the Pro-Europa Viadrina Euroregion on the Polish-German border seems to be far more active than the other two are. Also with regard to EU funding the Polish-German border region is clearly favoured in comparison to the two other regions. With €95 mio. In the period 1994-2002 the Pro-Europa Viadrina Region received several times more funds than the Hungarian-Slovakian border region received (2 mio. € annually in the last years) or the Hungarian-Ukrainian border region (annually 500.000 €.)

The three case studies differed significantly in their research approach, what provides the main limitation towards comparative analysis. While in the case of the German-Polish Viadrina Euroregion detailed analysis has been conducted for selected projects, the other two case studies remained on a rather cursory level reviewing the border situation in general.

7.2.2.2 Limitation of Impact Assessment

Assessing levels of integration on regional scale faces large difficulties due to a lack of data even for simple indicators like import/export flows on regional level. Moreover the general problem of impact assessment, e.g. regarding separation of influences, applies to the development of border regions and spatial integration trends as well.

In case of the projects analysed in the Polish-German border region detailed data was available for the projects' effects on the Polish side. These data were derived from existing studies and by far exceeded the possibilities provided within ESPON 2.2.2. for empirical work. Although these data provided an important basis for impact assessment, its significance is restricted by the limitation to the Polish side of the border region. Besides these data problems general problems of impact assessment already mentioned in other parts of this FR and earlier interim reports applied as well to this case study.

Major lacks of data and detailed information in the other two cases clearly limited the scope for impact assessment.

7.2.2.3 Assessment of Policy with Regard to Potentials / Bottlenecks

All in all the cross-border cooperation programmes studied address the main regional bottlenecks resulting from border situations, namely missing infrastructure links, weak economic structures due to limited market and commuting areas as well as institutional and mental barriers. However, the extent to which the different fields of action affect spatial integration of border regions vary.

Improvements of transport infrastructure can be considered as important measures in order to overcome the physical barriers of borders. To show impacts in terms of supporting cross-border integration, on the one hand, and strengthening regional development in the regions on both sides of the border, on the other hand, infrastructure projects have to be well chosen. To support spatial integration infrastructure investments should address the main transport bottlenecks for cross-border transport. In this respect it has to be differentiated between cross-border transport that is of national importance, e.g. transit transport from Warsaw to Berlin at the German-Polish border and cross-border transport that is of regional importance, e.g. commuting traffic from Słubice to Frankfurt/Oder at the German-Polish border. Since cross-border cooperation programmes should address the border regions themselves in the first place, transport infrastructure investments with high regional importance for spatial integration should have priority. These investments need to be embedded into regional transport strategies to reveal the largest possible impacts also in terms of fostering regional development on both sides of the border. As the case study on the Viadrina Euroregion at the Polish-German border showed investments funded by the EU's cross-border programmes have not always been appropriately selected in terms of priorities of the regional economy and integration into the region's transport strategy.

Small Project Funds turned out to be an efficient instrument to foster socio-cultural integration. By addressing and integrating local authorities and the border region's population, cultural and mental barriers could be reduced. In the long-run especially cooperation in the field of education including language exchanges will have positive effects on integration of the border regions. Beside the Small Project Funds "soft" measures supporting cooperation in the fields of education, business or culture seem to be of lower priority within cross-border cooperation. With regard to spatial integration on regional level these measures would be of great importance however.

Cross-border cooperation programmes in the Candidate Countries had significant impacts on institutional capacity building. Small Project Funds prepared local and regional authorities for project application and implementation under future INTERREG programmes which will include similarly structured "Microprojects". Other fields of action under PHARE CBC contributed to capacity building of respective institutions by getting acquainted with project applications and implementation regulations.

In the case of relatively impermeable borders, like the Hungarian-Ukrainian one, cross-border cooperation measures seemed to be too restricted in terms of fields of action as well as budget. Since in these cases border relations are dominated by political decisions on national or EU level, e.g. with regard to trade barriers or national political tensions, regional cooperation can only play a minor part in supporting integrated development of the border regions. Since the regions bordering third countries are moreover often the most underdeveloped within the new Member States or Candidate Countries, the budget of cross-border cooperation programmes is far too low to address the regional bottlenecks for socio-economic development and spatial integration.

7.2.2.4 Assessment of Policy with Regard to Spatial Development Objectives

Spatial impacts of cross-border cooperation programmes are twofold: on the one hand they contribute to spatial integration and, on the other hand, to regional development within the border regions. All in all impacts on regional development within the border regions and thus on spatial cohesion seem to prevail over impacts on spatial integration. Only a minority of projects addresses cooperative actions in the field of education, culture or business and often projects lack "mirror" projects on the other side of the border. "Single" projects only implemented on one side of the border as well as infrastructure projects, e.g. environmental infrastructure investments, often have a regional development character rather than contributing directly to spatial integration. Although prosperous development on both sides of the border might as well support regional cross-border integration in the long run, CBC programmes often seem to be used as additional financial source for development projects, which could be financed from other sources as well (e.g. ISPA, PHARE) instead of concentrating on cooperative and integrative projects.

Most fields of action clearly address and affect the regional micro level, but the other spatial levels have to be taken into account again for different kinds of transport infrastructure investments. Improvement of infrastructure might either be targeted at local and regional or trans-national facilities thus

supporting spatial integration on a meso or macro level but not necessarily on regional micro level.

Impact on spatial integration of cross-border cooperation programmes on the external borders between Candidate Countries and third countries is limited, since these borders' situations are largely determined by national politics. Fostering institutional cooperation and integration on regional level, as far as administrative regional levels exist in the neighbouring countries, thus, is a prerequisite for further cooperation measures in other fields of action.

Summarising, the already existing level of spatial integration in the border region obviously defines the scope of cross-border cooperation programmes. While relatively integrated border regions provide several possible fields of cooperation, institutional, political and mental barriers on the external borders hamper cooperation in socio-economic fields.

Case Study of the Polish-German Border Region (Viadrina)

Spatial identity: Euroregion Viadrina is situated within the East-West trade and traffic corridor Berlin-Warsaw-Moscow. The total population is approximately 850.000, presenting a very low population density in both parts of the border region. There is only one big city in the region - Gorzow Wielkopolski - which might be regarded as a regional urban and economic center. There are 4 road and 2 railway border checkpoints within the Euroregion.

The unemployment rate is very high in the Euroregion (between 20% and 25%) due to significant increases since 1998. The employment structure on Polish side shows a lower share of agriculture than the national average, but a considerably higher share than the German side (22,5% against 4%). The region's economic structure shows a variety of sectors with small and medium enterprises. The economic situation in the Polish Euroregion Pro Europa Viadrina is however diversified with a dynamic development of the trade sector during the 1990s, followed by financial and intermediary services in the last years. Since 1990 the structural change has been very important for the whole region, especially the German part. The increased permeability of the state border to flows of goods, people and capital was very important for development of the whole region. Foreign trade and retail trade/marketplaces was growing dynamically, while foreign tourism and foreign investments increased as well but less dynamically.

Main potentials	Main bottlenecks
Intensive cross-border cooperation, strategic location on one of the main East-West transit corridors, high share of employees in third sector	Low level of urbanisation with no major city of national/international importance, insufficient capacity and poor condition of transport and communication infrastructure

Characterisation of Projects/Programme Analysed:

Euroregion Viadrina receives PHARE CBC funds since 1994 and at the same time the German part has been eligible for INTERREG funds. In the period 1994-2002 €95 Mio. of PHARE CBC funds were allocated to Viadrina region (almost 33% of the total Polish PHARE CBC spending) addressing the following fields of action: transport (46,5 mio. €), environment (25,2 mio. €), economic development (1,5 mio. €), human resources (16,5 mio. €), Small Project Fund (5,4 mio. €). In addition projects funded from PHARE, ISPA and SAPARD have been implemented in the territory of Euroregion Viadrina.

The case study will focus in particular on impacts of two types of investment: 1.) the modernisation of National Road 22 on the segment between Gorzów Wielkopolski and Kostryn (border-crossing point) which was with 30,9 mio. € the largest investment of the whole PHARE CBC programme and claimed 25% of total EU funds allocated to the Polish side of Viadrina Euroregion; 2.) the Small Project Fund, which was introduced in 1995 in the Euroregion supporting socio-cultural activities undertaken by local entities from the Euroregion. In the years 1995-2001 3.3 mio. € were spend for the SPF on the Polish side of Viadrina Euroregion for implementation of 484 projects. 70% of projects were connected to cultural activities and youth exchange, 19% to economic development and tourism, 7% to human resource development.

Assessment of Policy with Regard to Potentials/Bottlenecks Addressed:

Analysis on the National Road 22 project showed that it was only to a limited extent oriented towards main regional bottlenecks and needs due to several shortcoming. The selection and development of the project did not take duely into account, that the border crossing point in Kostrzyn has rather a local than a regional character and that economic actors situated in the special economic zone in Kostrzyn are not directly connected to the road 22. Moreover road no. 22 is not part of strategic transport

infrastructure development plans in the Euroregion Viadrina, which include construction of a new border crossing suitable for heavy lorries in Kostrzyn together with a city by-pass and multi-stage modernisation of voivodship road no. 132. As a result the modernised road 22 was uncompetitive in comparison to the alternative road 132 in terms of traffic volumes and no significant local development process along the new road could be observed, while such a process might take place along alternative roads owing to the establishment of a new industrial park in Witnica, co-financed also by the Phare CBC programme.

In the other case of the Small Projects Fund significant impacts on social integration in the border region could be observed. Mass events, concerts and other fests supported the process of social interaction between people living on both sides of the border. One of the most perceptible events are those connected with exchange of youth from Polish schools with youths from German schools. Openness to the world's problems and world-events and improvement of language skills are the most important effects of such events.

Local governments and the Euroregion are main beneficiaries of SPF. They learned very efficiently and fast how to use the SPF resources and the projects enabled strengthening of the cooperation between different institutions from the region, both municipal governments and business entitles.

Assessment of Policy with Regard to Territorial Objectives:

Impacts of the analysed projects on spatial integration are hardly to assess in quantitative terms.

In case of modernisation of road no. 22 this is due to the short time period since the investments have been completed. Though in general efficient transport connections between the Polish and the German side of Pro-Europa Viadrina Euroregion is a necessary precondition for spatial and socio-economic integration of the entire region, impacts of this project might be limited due to the mentioned facts.

Unambiguously, the effects of the small euroregional projects are positive and they have a significant influence on the process of social integration in Pro-Europa Viadrina Euroregion. However, because of the “soft nature” of such projects, it is hard to estimate the scale of these effects quantitatively.

Policy Recommendations:

- Continuation of Small Project Fund, since it may bring noticeable social effects at relatively small costs.
- Choice of transport infrastructure projects on basis of regional transport strategies to ensure high relevance of investments for regional transport flows and the regional economy.

Case Study of the Hungarian-Slovakian Border Region

Spatial identity: The regions along the 679 km long border were typically peripheral regions in Hungary. The border region can be divided into two parts:

a) Danubian region - a traditional transportation and industrialised zone, which is characterized by gradual stability and slow rearrangement from old industrial structures to new competitive industries and services.

b) Eastern Slovakian border zone - a peripheral region with mainly agricultural character, but a few large-scale heavy industries, which are undergoing restructuring. The border region is characterised by significant and lasting employment tensions. The transformation of the economic structure is extremely slow, the endowments of agricultural production are unfavourable, the service sector has not widely developed yet, the demographic erosion (ageing, increasing proportion of the Gypsy population) is advancing.

Main potentials	Main bottlenecks
Strategic location connected by international transport corridors, diverse service and manufacturing activities in the Danubian part, highly skilled labour force	Persisting environmental damage, poor transport and municipal infrastructure, development problems of rural areas

Characterisation of Projects/Programme Analysed:

The PHARE CBC programme Slovakia-Hungary has a budget of 2 mio. €. In the eastern parts of the border the Ipoly Euroregion intends to integrate a geographical, economic and cultural region on both sides of the border. Presently there are no significant national policies and resources contributing to EUs interventions for the support of cross-border cooperations.

Assessment of Policy with Regard to Potentials/Bottlenecks addressed:

The allocated sums were low and concentrated on a few areas (development of transport connections). However, physical barriers are a main bottleneck in the border region which needs to be addressed with priority. Interventions contributed to the gradual building of cooperations out of the social frameworks (CREDO programme). A main obstacle to cooperation are political tensions and institutional barriers due to incompatible institutional structures on both sides of the border.

Assessment of Policy with Regard to Territorial Objectives:

Although the PHARE CBC programme Slovakia-Hungary was only of small scale, which did not allow for larger infrastructure projects in order to overcome the physical border barriers, the cross-border policy stimulated cooperation of municipalities on both sides of the border. Together with the elaboration of a spatial development plan for future joined projects, thus, first steps toward cross-border integration could be achieved.

Policy Recommendations:

Support of institutional cooperation on regional level in order to provide the basis for cooperation in further fields of action.

Case Study of the Hungarian-Ukrainian Border Region

Spatial identity: The Hungarian–Ukrainian border has always been one of the most closed borders since it was designated in 1920. Also in the future the Hungarian–Ukrainian border will remain an external and strictly defended border of the European Union, which will restrict everyday cross-border relations. Both regions have always been a periphery between Hungary and Transylvania. The population has been decreasing and outmigration has characterised both border regions.

Main potentials	Main bottlenecks
Good natural and cultural endowments for the development of tourism, nature reserves suitable for the preservation of bio-diversity.	Peripheral locations within the respective countries, bureaucratic difficulties blocking border crossing and cross-border cooperation, education level of the population is low, high unemployment and outmigration, deficiencies of infrastructure..

Characterisation of Projects/Programme Analysed:

The adjacent territorial administrative units of four countries – Hungary, Poland, Ukraine and Romania – established in 1993 the Carpathians Euroregion Interregional Alliance. The main objectives of cooperation are economic development, human resources development, environmental protection, and a few other concrete projects (border crossing stations, logistic park in Záhony etc.). The cooperation has been stimulated by EU resources that were only recently available . 500.000 € were disposable for projects in 2003, for projects with a budget of 10.000 – 50.000 €. Twenty projects were supported and the Szabolcs-Szatmár-Bereg development agency was assigned to establish a cross-border cooperation office. However, due to the different administrative levels and competencies and the basically different problems of the adjacent countries, neither the central nor the regional tiers could devote sufficient attention and more importantly resources to the cooperation.

Assessment of Policy with Regard to Potentials/Bottlenecks addressed:

The strong existing bottlenecks at the Hungarian-Ukrainian border in the fields of institutional conditions, physical links, economic disintegration and cultural differences have not been addressed sufficiently in the past. Interventions seemed to be too fragmented and in total too small.

Assessment of Policy with Regard to Territorial Objectives:

So far policies primarily focusing on the Euroregion seemed not to contribute to spatial integration to a large extent. This is due to the low level of interventions on the one hand and strong barriers existing on national level defined by the situation as now external EU-border on the other hand.

Policy Recommendations:

Concentration on cooperation projects in socio-cultural fields, since those seem to be the most promising areas to foster integration under conditions of relatively impermeable borders and low budgets for cross-border programmes.

7.2.2.5 Policy Recommendations

Case study findings supported by the general analysis on cross-border cooperation programmes allow for the following tentative policy recommendations:

- Cooperative character of programmes should be increased, e.g. by increasing the share of "mirror" projects or by increasing the share of "soft" measures with cooperative character in order to address spatial integration trends in addition to separated regional development trends.
- Small Project Funds and other measures addressing socio-cultural or business cooperation fields should be continued and strengthened since projects of these types promise noticeable social effects at relatively small costs.
- Especially infrastructure investments should be chosen on basis of existing regional development strategies to ensure a high relevance of investments for the regional potentials and bottlenecks. Selection of projects should take into account and differentiate possible impacts on different spatial levels.

Fields of action have to be varied according to the type of border. In case of relatively impermeable border regions with only minor experience of cooperation, support for institutional cooperation on regional level plays an important role. Reducing institutional bottlenecks then lays the basis for cooperation in further fields of action. In addition, cooperation projects in socio-cultural fields of action seem to be the most promising fields for fostering integration under conditions of relatively impermeable borders and low budgets for cross-border programmes.

7.3 Impacts of Trans-national Integration Measures

During the 1990s EU Member States recognised the need to get involved in a more operational way of cooperation on regional and spatial planning on trans-national level. This was the result of the increasing economic integration and interdependence between Member States and regions (with

the internal market) and of new common challenges resulting from major economic trends, such as the globalization of the economy.

Trans-national cooperation in the 1990s had been developing in two parallel and complementary ways:

- with the joint reflection carried out through the development of an integrated long term strategy for the development of the territory of the Community, resulting later in the development and adoption of the ESDP. Discussions and preparations for the ESDP already set the framework for action to be taken under INTERREG II C;
- at the operational level, with trans-national cooperation programmes in order to develop projects in the field of regional and spatial planning.

Under this framework a specific strand was introduced within the INTERREG programme for supporting trans-national cooperation - initially INTERREG IIC, later continued as INTERREG IIIB. Main objectives and structures of these programmes are described in the following, giving a short portrait of one outstanding macro-region for each period (CADSES in the case of INTERREG IIC and Baltic Sea Region in the case of INTERREG IIB). Afterward, more detailed analyses are then provided for the selected case study regions of ARCHIMED and Alpine Space.

7.3.1 Objectives and Structures of INTERREG IIC and IIIB

INTERREG IIC

In 1997 INTERREG IIC was launched in order to support cooperation in the area of regional planning and in particular management of water resources (flood mitigation & drought prevention). It clearly differed from INTERREG II A because it concerned trans-national cooperation across larger areas and had a stronger focus on regional and spatial planning issues. The overall objectives of INTERREG IIC were to:

- Promote harmonious and balanced development of the territory of the European Union;
- Foster trans-national cooperation within a common framework in the field of spatial planning by the Member States, regions and other authorities and participants;
- Contribute to improving the impact of Community policies on spatial development and

- Help Member States and their regions to cooperate on a pro-active approach to common problems, including those linked to water resource management caused by floods and drought.

Trans-national cooperation between national, regional and local authorities thus aimed at promoting a higher degree of territorial integration across large groupings of European regions. The entire territory of the Community was eligible for funds under INTERREG IIC within the framework of "macro-regions". The following macro regions have been established: North Sea Region,
North-Western Metropolitan Area, South-Western Europe, CADSES, Baltic Sea Region, Western Mediterranean and Latin Alps, Atlantic Area.

Beside general trans-national cooperation within macro regions, INTERREG IIC included special support for trans-national flood mitigation (in the area Rhein-Maas, France and Italy) and drought prevention (in Portugal, Spain, Greece and Italy) on the basis of joint Operational Programmes.

In parallel to the Interreg IIC programmes, and following the same objectives and type of cooperation, four pilot actions under ERDF Article 10 were adopted:

- Northern Periphery (UK, FIN, S)
- Eastern Alps (A, I & D)
- Central and Eastern Mediterranean Space "Archimed" (GR, I, MT, CY)

Mediterranean Gateway (ES, PT, MO)

INTERREG IIC - CADSES

The Central, Adriatic, Danubian and South-Eastern European Space (CADSES) was established in 1997 covering a wide geographical area including regions, belonging to four Member States: Austria, Germany, Greece and Italy as well as to fourteen then non-Member States: Albania, Bosnia Herzegovina, Bulgaria, Croatia, Czech Republic, Federal Republic of Serbia and Montenegro, Former Yugoslav Republic of Macedonia, Hungary, Poland, Republic of Moldova, Romania, Slovak Republic, Slovenia, Ukraine. The macro region faces significant challenges for a stabilised, integrated development due to strong economic and social imbalances, the ongoing process of integration into the EU, the ongoing process of economic transition and the experiences of recent conflicts.

The joint strategy developed under INTERREG IIC programme was meant to meet these challenges by supporting the following measure:

Measure A: Initiatives for the launching of a cooperative spatial planning process.

Measure B: Promoting cooperation for the establishing of more balanced and polycentric urban systems and settlement patterns.

Measure C: Development of multimodality in transport systems and parity of access to infrastructures.

Measure D: Cooperation for the improving of access to knowledge and information.

Measure E: Prudent management and development of natural and cultural heritages.

Measure F: Technical assistance.

In the period 1997-1999 330 projects were supported with the Community contribution amounting to €21.5 million.

The evaluation of the programme was generally positive although several weaknesses and threats have been remarked. In particular, high participation of CEECs at project level and high capacity of utilisation were noted as strengths of the programme implementation. On the other hand, recognised weaknesses have been related to strong anchorage in the official administration, partly weak spatial development references, difficulties in finding trans-national cooperation partners, dominance of transport projects, major differences between Member States regarding the number and the dimension of projects and difficulties to coordinate INTERREG and PHARE programmes.

These aspects have been considered as "lessons from the past experience" during the preparation of the new CADSES II programming period (2000-2006).

INTERREG III B

The objective of general trans-national cooperation of INTERREG IIC was continued under INTERREG IIIB in the period 2000-2006. The macro regions established under INTERREG IIC have been partly extended and new ones have been created. Cooperation on the Community's external borders, between island and maritime regions and regions with common handicaps such as the harsh conditions in mountain zones, is particularly encouraged. The Member States allocate at least 14% of their overall allocation for INTERREG III to Strand B. Taking account of Community policy priorities and the recommendations of the European spatial development perspective (ESDP), cooperation focuses on the following issues:

- *Spatial development strategies,* including cooperation among cities and between rural and urban areas with a view to promoting polycentric and sustainable development: strategic studies, networking

among metropolitan areas and medium-sized cities, networking of spatial planning and research institutions;

- *Development of efficient and sustainable transport systems and improved access to information society*: connecting secondary networks to (trans)national networks, not including the construction of motorways and main roads, promoting the use of information and communication technologies in the business sector, transferring know-how and technology among local authorities;
- *Promotion of the environment, sound management of cultural heritage and natural resources, in particular water resources*: development of the European ecological network (Natura 2000), joint strategies for risk management in areas prone to natural disasters (flood and drought prevention), concerted management of coastal waters;
- *Technical assistance for the establishment of trans-national partnerships*: creation of joint structures for implementing the trans-national cooperation programme.

Trans-national cooperation aims at the identification of common problems and challenges within macro regions and at supporting interventions which the entire area involved benefit should . Interventions should be based on integrated territorial strategies which respond to the specific identified problems. The development of these joint strategies, the exchange of experience or the launching of joint regional analysis studies are in the focus of the programme. However, also infrastructure investments on a small scale can be eligible measures.

INTERREG IIIB – Baltic Sea Region

The Baltic Sea Region (BSR) was established under INTERREG IIC and under INTERREG IIIB for the period 2000-2006 a new joint programme was developed. The macro region is composed of selected regions within Denmark, Sweden, Finland, Germany, Estonia, Latvia, Lithuania, Poland, Russia, Norway and Belarus. The INTERREG IIIB programme for the Baltic Sea Region aims at "strengthening economic, social and spatial cohesion by focusing on disparities between different territories in order to reach an increased level of BSR integration and to form a sustainable part of Europe"[9].

Until June 2004, 68 projects have been approved and funds amounting to 70 mio. € have been committed.

[9] Baltic Sea Region INTERREG IIIB presentation. www.spatial.baltic.net/programme.html.

The mid-term evaluation of INTERREG IIIB BSR[10] came to positive results in general and stated that the selected projects were well in line with the objectives of the programme. Mainly local and regional authorities are involved as project partners, project partnerships are working satisfactorily and with a substantial involvement of different partners. Especially in the new Member States respectively Candidate Countries the programme had high impacts on institution building in terms of preparation for INTERREG participation after accession.

Despite these positive effects weaknesses limiting spatial integration impacts were pointed out with regard to a varying level of participation (in terms of frequency and financial resources) between countries, to the selection of projects which favoured some fields of action while disregarding others and to the dominance of national rather than trans-national motivations in the beginning of the programme. The latter tendency has meanwhile decreased, and steady development towards stronger trans-national emphasis can be observed.

7.3.2 Case Study Analysis on Trans-national Cooperation

In addition to above analysis based on a review of existing documents two case studies have been conducted on the INTERREG macro regions ARCHIMED and Alpine Space. Common results of the case studies are discussed below followed by a separate overview on main findings for each case study. [11]

7.3.2.1 Comparability of Case Studies

Both case studies focus on macro regions that are characterised by high levels of spatial fragmentation due to natural barriers as the Mediterranean Sea in the case of ARCHIMED and the Alps in the case of the Alpine Space. Also in terms of institutional conditions both regions are characterised by strong differences between EU Member States, Candidate Countries and non-Member States of the EU. Regarding socio-economic conditions, the Alpine Space macro region can be regarded as rather homogenous, since Austria, Germany, Italy and Switzerland have high levels of development relative to EU 15 averages and Slovenia is one of the most advanced new Member States. In contrast, ARCHIMED is characterised by stronger discontinuities in terms of socio-economic development levels as well as institutional/political settings. These discontinuities are further strengthened by existence of strict borders between EU member and non-Member States.

[10] PLS/RAMBOLL Management A/S (2003)
[11] For more information on case study analysis see ESPON 2.2.2 3rd Interim Report, chapter 9.

Both macro regions have a strong common historical and cultural past, which strengthens bonds between the countries and provides a good basis for further cooperation. Moreover, at least parts of the regions have long established cooperation structures, in case the of the Alpine Space reaching back to the 1970s and in the case of.

However, the two case studies focus on different stages of the cooperation process: The early and already completed Pilot Action Article 10 ERDF has been in the centre of the ARCHIMED case study while the still ongoing INTERREG IIIB programme has been concentrated on in the case of the Alpine Space. Nevertheless some common issues can be highlighted and common lessons learned can be pointed out. The following conclusions are supported by results of the general analysis including additional insights on the two macro regions Baltic Sea Region and CADSES.

7.3.2.2 Limitation of Impact Assessment

As for the other case studies, the scope of impact assessment was restricted by several factors. The short duration of many projects limited socio-economic effects to become visible yet. This especially applies to the Alpine Space case study while in the case of ARCHIMED only few projects directly affecting the socio-economic situation have been implemented and priority was given to studies and institutional projects. Moreover, lack of data especially for measuring levels of socio-economic integration, e.g. data on trade flows, foreign direct investment flows or commuting patterns, does not allow for a quantitative assessment of integration trends.

Since significant parts of both programmes focus on institutional measures the general problem of how assessing institutional impacts and how relating institutional impacts to spatial socio-economic impacts occurs. Although it can be expected that institutional integration contributes to socio-economic integration in the long-run, this relationship is hardly measurable. Special difficulties result from assessments on programme level. On programme level impacts emerge, on the one hand, as aggregated impact of single projects and, on the other hand, the mere setting-up of programme structures might bear impacts on institutional conditions on trans-national level.

7.3.2.3 Assessment of Policy with Regard to Potentials / Bottlenecks

Common foci of both programmes lie in the field of transport infrastructure improvement, preservation of natural and cultural heritage/environmental protection and tourism development. These priorities address main bottlenecks and potentials of the macro regions. Improving transport

infrastructure links within the macro region is one important factor for achieving higher levels of spatial integration especially with regard to urban-rural integration in the case of the Alpine Space or the integration of peripheral (island) areas in the case of ARCHIMED. However, budget allocations within IIIB or the pilot action under Art. 10 ERDF seem to be too low to reveal significant impacts not only on the smaller regional level but also on trans-national level. Spatial integration in economic terms has only been addressed within the Alpine Space programme but has not been included in the ARCHIMED pilot action programme. Measures in this field, e.g. business cooperations, cooperation in research or education so not seem to be of high priority. Similarly to the findings of the cross-border case studies, one might conclude from this observation that the selection of fields of action also depends on the already existing level of integration. In case of low levels of trans-national integration less critical fields like cultural heritage and environmental preservation might be more suitable to provide the basis for trans-national integration. Moreover, it has to be beared in mind, that within additional cross-border programmes similar fields of action are targeted in these regions as well, e.g. infrastructure improvement and business/human resource cooperation.

Beside these defined fields of action one major focus of both programmes lay on improving institutional conditions. By establishing common institutional structures the basis for improved trans-national communication and development of common approaches has been provided. Exchange of know-how and experiences, awareness of similarities and common objectives, development of common perspectives, networking and sensibilisation of public and private actors have been important effects on project level as well as on programme level. Integration of trans-national thinking and approaches on different institutional levels, thus, can be seen as one major achievement of these programmes.

7.3.2.4 Assessment of Policy with Regard to Spatial Development Objectives

Improved institutional integration is the most important impact of the analysed programmes and one first step towards increased spatial integration. Although, so far, this affected integration in other fields and in socio-economic terms only to a limited extent, trans-national institutional and communication structures can be assessed as important prerequisite for further impacts of trans-national cooperation in the future. To develop wider impacts on socio-economic integration however the budget of the programmes seems to be too low. Especially in order to increase integration

in terms of accessibility, i.e. improvement of transport infrastructure links, large investments would be required.

Effects on spatial integration were in both cases limited by unequal opportunities of participating countries. Coordination with PHARE or TACIS funds proofed to be insufficient for securing equal partnership of candidate or third countries. Moreover, national interests prevail when it comes to allocation of funds to specific projects, i.e. often funds are not seen as real trans-national funds but rather as national contributions national beneficiaries should profit from. Also concerning priority fields and approaches of implementation national differences hampered the programme implementation, e.g. because national authorities refused to fund cooperation activities on project level in the Alpine Space.

Assessment of policy impacts with regard to the objective of spatial integration has to take the three-level approach into account as well. Obviously the objective of trans-national cooperation addresses in the first place spatial integration issues on macro level. However, many projects are rather of regional character thus affecting the meso or micro level. The overall programme objective often is not perceived at project level but local and regional actors follow their own objectives and rationales. In order to secure the trans-national character of the programme and its impacts, strong programming structures are needed. First of all as can already be observed this affects trans-national institutional impacts. But also for developing trans-national impacts on project level and in different fields of action projects have to be selected with regard to their contribution on spatial integration on macro regional level. In this regard the approach followed in the Alpine Space to establish strategic trans-national projects by the programming authorities seems to be promising. Objectives and scope of these projects will be clearly defined by the trans-national committees and suitable project implementation structures are more likely to be chosen.

Case Study ARCHIMED

Participating regions: NUTS 0: Cyprus, Malta, Greece, NUTS 2: South Italy, non ESPON space level: 8 third countries

Spatial identity: ARCHIMED is a heterogeneous space with spatial handicaps due to lots of islands with a double peripheral role. The main land parts of the region are integrated into TINA networks by the corridor 9 and the Adriatic corridor. However, strong disparities exist between Member States and neighbouring countries in terms of infrastructure development. Discontinuities also exist with regard to the population

structure and topograhpical characteristics (islands, coastal areas, mountain areas, deserts). Strong bonds between the participating countries are however created by a common historical and cultural past.

Main potentials	Main bottlenecks
Valuable natural and cultural heritage, location at two European corridors (Adriatic corridor and corridor 9), rich natural resource.	Spatial fragmentation, vulnerable environment, insufficient coordination of transport, ageing population in Greece and Italy, in sharp contrast to the demographic explosion in southeast Mediterranean.

Characterisation of Projects/Programme Analysed:

Since its establishment in 1997 ARCHIMED macroregion received support under several programmes: ARCHIMED Pilot Action under Art. 10 ERDF, INTERREG IIC, ARCHIMED action and INTEREG IIIB. The following analysis focuses on the pilot action ARCHIMED under Article 10 ERDF, since this programme implemented in the years 1997-1999 has already been completed.

The overall objective of ARCHIMED was to address the fragmented, marginal and regional character of the Central and Eastern Mediterranean Space through a common pilot action which focused on the promotion of sustainable mobility, prudent management of natural heritage, preservation of cultural heritage and landscapes and the development of quality tourism. The action was supported by € 5 Mio. from ERDF funds as well as national co-financing.

Assessment of Policy with Regard to Potentials/Bottlenecks Addressed:

The priorities set under pilot action ARCHIMED represent a significant degree of concentration on the most urgent issues identified in the region on basis of the SWOT analysis, namely environmental and cultural aspects. However, an assessment of spatial impacts proofs to be difficult. The programme outputs were mainly of a study character with no direct effects on spatial development. Main impacts occurred on institutional level in terms of increased awareness of similarities and joint objectives, cooperation experiences among national and regional authorities in the field of spatial planning or the establishment of common methods with regard to preservation of the natural and cultural environment.

Implementation processes however also faced several problems, such as different rates of progression of participants, problems with communication languages, lack of previous experience/ cooperation and institutional roles.

Assessment of Policy with Regard to Territorial Objectives:

Interventions under Pilot Action ARCHIMED can be assessed to contribute to the objective of spatial integration by increasing the spatial coherence and identity within the region. However, impacts were limited to the institutional dimension so far what might have laid the foundation for common actions supporting integration in socio-economic terms in the future. Impacts were moreover limited due to the limited number of participating regions respectively the restriction of funds for Non-Member States.

Policy recommendations:

Future policies within the ARCHIMED macro region should incorporate additional fields of action related especially to human resource development, education, research and development activities in order to achieve further integration effect in socio-economic terms.

Moreover institutional structures have to be further developed in order to allow private sector actors to participate more actively in trans-national cooperation activites.

Direct participation of the neighbouring countries should be strengthened through safeguarding adequate financial support from EU side.

Case Study Alpine Space

Participating regions: NUTS 0: Switzerland, Liechtenstein, Slovenia, Austria, NUTS 2: 4 German, 4 French regions and 7 Italian regions

Spatial identity:

The Alpine Space region is closely interlinked with the European core area in which it plays an intermediate role. Due to its topographic characteristics the region is divided into two parts with the central mountainious areas being more disadvantaged in terms of accessibility and environmental vulnerability and the outer areas being characterised by high accessibility and strong economic developments driven by some of Europes main centres (Zurich, Milan, Munich). Strong disparities within the

region thus can be observed with regard to the economic structure, infrastructure development, the population structure as well as natural and cultural characteristics.

Main potentials	Main bottlenecks
attractive natural environment, well developed urban system in the outer parts of the region, highly qualified labour force, well developed infrastructure in urban areas	spatial fragmentation due to mountainous character, weak connections between urban and rural areas, depopulation in rural areas, poor development of infrastructure in rural areas

Characterisation of Projects/Programme Analysed:

The Macro-region Alpine Space was established under INTERREG IIIB succeeding and integrating the macro regions "Eastern Alps" and "Western Mediterranean and Latin Alps" funded by Pilot Action under Article 10 ERDF in the years 1997-1999. Trans-national cooperation has a very long tradition within the Alpine Space (e.g. ARGE ALP – founded 1972, first cross-border regional organisation of 11 regions in the Eastern Alps). Different institutions and cooperation networks were founded in the last decades and are still very active. Those networks are either involved in the INTERREG IIIB programme or gave important reference for the programming.

Macro-region Alpine Space under INTERREG IIIB is financed with 124 mio. € (60 mio. € ERDF contribution, 60 mio. € national contributions and 4 mio. € Swiss national contributions). Moreover co-financing from national sources or pre-accession funds is possible in case of Slovenia. The Operational Programme distinguishes between 3 priorities:

- Promotion of the Alpine Space as a competitive and attractive living and economic area in the framework of polycentric spatial development of the EU (26% of total budget allocation, but 31% of projects approved);
- development of sustainable transport systems with particular consideration of efficiency, intermodality and better accessibility (32% of total budget allocation, but 15 % of projects approved);
- wise management of nature, landscape and cultural heritage, promotion of the environment and prevention of natural disasters (36% of total budget allocation, but 54% of projects approved).

Assessment of Policy with Regard to Potentials/Bottlenecks Addressed:

Especially the first two priorities of the programme are strongly related to identified potentials and bottlenecks and the operational programme addresses spatial development objectives in a sound way.

Impacts on regional potentials and bottlenecks are hardly to assess at this early stage of the programme. However it can be expected that strategic projects for the whole Alpine Space region will reveal impacts in the future . Programme level authorities recently pushes the development of trans-national thinking and strategies in the main fields of action addressed by INTERREG IIIB.

Main impacts of trans-national cooperation through INTERREG IIIB are related to institutional developments. New trans-national institutions have been established and existing institutional settings adapted the new requests. There is an obvious learning process and effect for local authorities and the involved persons with an added value. This added value lies in the exchange of know-how and experiences, learning of a "common language", the broadening of perspectives and networking. Moreover positive experiences with tran-snational institutional settings and cooperations can also spread to the national and regional level and facilitate common spatial planning and development objectives and approaches within a single participating country, as it was the case in Slovenia.

Assessment of Policy with Regard to Territorial Objectives:

The INTERREG IIIB programme for the Alpine Space region clearly had an impact on spatial integration in terms of trans-national institutional integration due to the establishment of trans-national institutional structures and an increased awareness of common development objectives and strategies.

Impacts were however limited due to several factors, such as lack of understanding of ESDP objectives on project level; a diffuse concept of spatial development objectives also on programme level; national differences regarding administrative cultures and approval of (national) funding; unequal resources of Member States, Switzerland as non-EU member and Slovenia as candidate country; prevailing of national instead of trans-national thinking in the process of project selection; development of “co-projects” instead of trans-national projects because some national authorities did not approve funds for direct cooperation activities.

Policy Recommendations:

Spatial development objectives should be addressed in a more effective way firstly by guaranteeing stronger orientation on the programme objectives stated in the Operational Programme during the project selection process, secondly, through improving communication of the spatial objectives of the programme to the project level and thirdly, developing criteria for territorial impacts assessment on programme level, to secure the specific foci of projects.

In order to strengthen the trans-national approach, sufficient financial resources for the smaller programme partners (e.g. Slovenia) should be guaranteed to enable equal project partnerships. Moreover, integrative communication concepts could be introduced as obligatory part of all projects in order to prevent the existence of "co-projects" but support trans-national communication as well as cultural exchange.

7.3.2.5 Policy Recommendations

The following tentative policy recommendations for supporting trans-national cooperations can be drawn from the above analysis:

- A strategic approach focusing on trans-national impacts should be strengthened on programme level, e.g. with regard to sound selection of projects or establishment of strategic projects by programming authorities.
- Evaluation and monitoring on programme level should take into account the spatial dimension. Methods of operationalising spatial objectives and criteria for territorial assessment need to be developed.
- Fields of action addressing human and business resources should be included more strongly in the programmes in order to foster participation of private sector actors in trans-national activities and to contribute to socio-economic integration.
- Financing mechanisms should enable equal participation of EU-Member States and non-Member States. By strengthening trans-national attitudes on programme level, differences with regard to the availability of national resources should be overcome.
- Improved communication of overall programme objectives towards project level actors could strengthen the trans-national approach of projects. Moreover obligatory requirements of cooperation components or common communication strategies could prevent "co-projects" and strengthen the trans-national character of projects.

8 Ex-Ante Analysis of the Influence of Structural Pre-Accession Aid and the Structural Funds on Balanced Territorial Development in the EU Territory

The following chapter aims at an 'ex-ante analysis of the influence of the pre-accession aid and Structural Funds (SF) on balanced territorial development in the EU territory'. As an introduction an overview of structural support in the enlarged EU up to 2006 is provided. The focus is then laid on how experiences of pre-accession aid programmes and SF are likely to address and impact upon balanced territorial development in the enlarged EU. A key component of this part of the work involves a meta-analysis of ex-ante evaluations of the National Development Plans of the new Member States. The meta-analysis is then supplemented by a more regional approach of future policy options based on the regional typology developed by ESPON 2.2.2. The chapter concludes with contributions to on-going SF reform debates and the formulation of related policy recommendations/options.

Throughout the chapter reference is made to impacts of EU sector policies as analysed by other ESPON strand two projects as well as linkages between sector policies and pre-accession aid respectively SF. However, it has to be noted that the analysis of sector policies can only serve as tentative additional information, since direct comparison of impacts of sector policies and SF policies is not feasible due to sometimes large differences in terms of objectives and instruments. Nevertheless, this chapter provides main input in fulfilling the requirements of the addendum with regard to this part of analysis.

8.1 Structural Funds and Pre-Accession Aid 2004-2006

EU Commissioner Jacques Barrot states that the new SF programmes are a concrete reflection of the principle of territorial cohesion. They help to finance investment and the creation of new job opportunities and, "in that way, they will help to bridge the significant gaps in the enlarged European Union and contribute to integration and to territorial cohesion."[12] Similarly, Commissioner Balázs explains:

"*Structural Funds represent a major potential for fostering growth and cohesion. The Third Cohesion Report has already demonstrated that this policy has been very successful in the EU until now. Its continuation, coupled with the significantly higher growth potential of the new Member States*

[12] CEC (2004a)

should therefore become a major engine for development in an enlarged EU".[13]

In the lead-up to EU enlargement, a financial allocation of €24.5 bn for Structural and Cohesion Funds in the period 2004-2006 was agreed for the new Member States. The amount allocated for SF is €16 bn. Out of 41 NUTS 2 regions in the new Member States, 38 qualify for Objective 1 support; only the regions of Prague and Bratislava and the southern part of the Island of Cyprus have Objective 2 status. All the new Member States will also receive funding from the Cohesion Fund and INTERREG programme, see Table 8-1.

Romania and Bulgaria have not yet gained EU membership and will continue to benefit from pre-accession aid. The Commission has considerably increased financial assistance to both countries from the date of the first round of accessions. For instance, EU assistance to Romania will increase by 20 percent (over 2003 levels) in 2004, 30 percent in 2005 and 40 percent in 2006. "This increase is intended to support Bulgaria and Romania in taking the remaining steps necessary to meet the criteria for membership."[14]Accession Partnerships will continue to be the basis for programming pre-accession assistance, but priorities for assistance will also be drawn from the road maps, Regular Reports and revised National Development Plans to be prepared by each country in line with SF requirements.

The link between pre-accession aid programmes and the SF is strong. Pre-accession aid programmes have the explicit aim of supporting preparations for Structural Fund programmes through institutional support and capacity building. PHARE, ISPA and SAPARD were designed to mirror the ERDF, ESF and EAGGF. SF also target support to similar areas. Consequently, it is reasonable to assume that EU SF and pre-accession aid will share common links to the territorial development goals of spatial cohesion, spatial integration and balanced territorial competition. However, there are also important distinctions between SF and pre-accession aid. First and most crucially, substantially more funding is available for SF. Second, SF involve new administrative structures and programmes of support.

[13] CEC (2004a)
[14] CEC (2002a)

Table 8-1: EU Funds for the new Member States 2004-2006 (in € Mio.)

Country	Objective 1	Objective 2	Objective 3	INTER-REG	EQUAL	Cohesion Fund	Total
Cyprus	0.00	28.02	21.95	4.30	1.81	53.94	113.44
Czech Republic	1 454.27	71.30	58.79	68.68	32.10	936.05	2 621.19
Estonia	371.36	0.00	0.00	10.60	4.07	309.03	695.06
Hungary	1 995.72	0.00	0.00	68.68	30.29	1112.67	3 207.36
Latvia	625.57	0.00	0.00	15.26	8.03	515.43	1 164.29
Lithuania	895.17	0.00	0.00	22.49	11.87	608.17	1 537.70
Malta	63.19	0.00	0.00	2.37	1.24	21.94	88.74
Poland	8 275.81	0.00	0.00	221.36	133.93	4 178.60	12 809.70
Slovakia	1 041.04	37.17	44.94	41.47	22.27	570.50	1757.39
Slovenia	237.51	0.00	0.00	23.65	6.44	188.71	456.31
Total	14 959.64	136.49	125.68	478.86	252.05	8 495.04	24 451.18

Source: CEC (2003) http://europa.eu.int/comm/regional_policy/index_en.htm

8.2 Meta-Analysis of Ex-ante Evaluations

The 10 new Member States have drafted National Development Plans (NDPs) which form the basis of EU co-financed SF programmes in 2004-2006. The process of producing the NDPs has involved extensive consultation with actors within each country, as well as input from the European Commission and external evaluators. The NDPs were formally presented to the Commission at the end of 2002 or in early 2003, and formal negotiations took place between each new Member State and the Commission throughout the remainder of 2003 in order to transform the NDPs into final programming documents. The situation of Bulgaria and Romania differs from those of the other 10 countries. Although they have produced National Development Plans, the status of these documents is clearly different because Bulgaria and Romania are not yet EU Members. Their plans, therefore, aim to provide a coherent framework for domestic sources of investment as well as the pre-accession programmes, and are not subject to the various demands and constraints of SF' programming.[15]

[15] Kujath, J., Kunkel, K., Zillmer, S. et al. (2003)

SF regulations require an independent ex-ante evaluation of programmes. These analyses are meant to provide a forward-looking assessment of the likely future effects of new policies of proposals with the aim of improving and strengthening the final quality of the plan or programme.[16] In the context of Structural policies, the ex-ante evaluation process has a number of key objectives and elements:

- An assessment of whether the overall Plan or Programme is an appropriate means for addressing the issues confronting the region or sector - evaluation of the adequacy of socio-economic analysis of the programmes.
- An assessment of whether the Plan or Programme has well-defined strategic axes, priorities and objectives and if it reflects an informed opinion as to whether these are relevant and can actually be achieved – evaluation of internal and external consistency.
- A contribution to the quantification of objectives and the establishment of a basis for both monitoring and future evaluation work – evaluation of socio-economic impacts and the allocation of funds.
- An analysis of the adequacy of the implementation and monitoring arrangements and help with the design of project selection procedures and criteria – evaluation of the implementation system. [17]

Using a structure based upon the ex-ante evaluation structures set out in European Commission documentation, this section of the report presents an assessment of the influence of the SF in the 10 new Member States and pre-accession aid to Bulgaria and Romania. The assessment builds upon previous work of ESPON 2.2.2 and the findings of a meta-analysis of NDP ex-ante evaluation documents.

8.2.1 Evaluation of Existing Programmes

As other chapters of the report also demonstrate, existing EU programmes revealed qualitative and quantitative impacts on spatial development in several ways. The volume of resources, scale of development disparities and institutional capacities of the applicant countries, however, mean that the impacts of pre-accession aid are not easily measurable through standard indicators. Related, the impacts of the pre-accession aid on spatial development is not pronounced, given the relatively small amount of funding

[16] CEC (1999a)
[17] Blažek, J. and Vozab, J. (2003)

spread across a wide range of priorities and the scale of development disparities.[18]

Nevertheless, key lessons to be taken from ESPON 2.2.2's analysis of the territorial impact of pre-accession aid highlight strengths as well as weaknesses. Main strength of pre-accession aid to be identified include the following:

- The primary aim of pre-accession aid is to support the implementation of the *acquis*, but in working towards this aim, they also contribute to the objectives of spatial cohesion, balanced spatial competition and spatial integration.
- In terms of spatial cohesion, pre-accession support assists the new Member States and Candidate Countries to meet the criteria for EU enlargement, thus promoting equity objectives at an EU level. Support to lagging regions through the PHARE programme, promotes equity at both the national and EU levels.
- Pre-accession support has played an important role in addressing regional development bottlenecks and barriers to development. It has also offered support to regions capable of acting as growth poles for the national and EU economies. However, the support given has not sufficiently revealed overall positive impacts and has sometimes also been misleading.
- Spatial integration in terms of economic, infrastructure related, cultural and political integration between the recipient countries and the EU have been strengthened by pre-accession aid Programmes. However, it is not yet apparent if these developments will be sustainable also in the future and if stronger integration achieved in one field of action will lead to integration in further fields in the long run.
- Considering different policy domains, a higher level of impact with more sustainable characteristics was achieved in some areas than in others. For instance, the PHARE programme was found to have sustainable, concrete impacts particularly in the fields of transport, environment and justice & home affairs.

This experience has offered an important base to build upon for future SF and pre-accession aid programmes. Experience of pre-accession aid has also highlighted key areas of weakness within the programmes themselves and country responses to them.

[18] Kujath, H.J., Kunkel, K., Zillmer, S. et.al. (2003)

- Achievements in some areas were below expectations, although objectives stated in the project preparation documents (project fiches) were often excessively ambitious. E.g. projects related to structural actions and to support for SMEs had ambitious impacts. In these areas, PHARE projects included the implementation of grant schemes, which proved to be good for 'learning by doing', but which often had unclear socio-economic objectives. It is anticipated that more socio-economic impacts can be expected in the longer term from the effects of changed legislation and strengthened administration to which PHARE made some contribution. However, these impacts will be indirect and difficult to trace.
- Some projects lacked clear objectives and even commitment from responsible institutions in the early stages of their implementation.
- In the design of country strategies and projects, the excessive imbalance between partners (national governments and the Commission) in the design phase reduced the partner country ownership of, and immediate commitment, to the PHARE projects during the implementation phase. In this case, reform came too late and was insufficient to remedy the lack of country influence and stakeholder involvement.
- Frequent reforms of pre-accession aid confused and over-burdened the systems and institutional structures involved.

Programmes have had limited impacts in terms of coordination between institutions or between levels of administration. Targeted institutions had to be strengthened before they could engage in building inter-institutional capacity.[19]

8.2.2 Evaluation of Adequacy of Socio-Economic Analysis of Programmes

The starting point for a development plan is to analyse the socio-economic situation in the region and to explain the obstacles to, and the challenges for economic development.[20] The analyses of development needs in each country form a key element of programming documents and should provide a solid basis for the selection of development priorities and measures. It should aim to identify the development bottlenecks which are preventing the new Member States from 'catching up'. Therefore, the quality of the background analyses has an important influence on the focus of the overall

[19] PLS RAMBØLL Management and Eureval-C3E (2003)
[20] Bachtler, J. (1995)

programme. Each programming document should include the following components:

- an analysis of the socio-economic situation at the national and usually also at regional levels;
- an analysis of horizontal aspects set out in the SF Regulation[21] (particularly relating to sustainable development, and to gender disparities and discrimination); and
- a SWOT analysis identifying the core developmental issues to be addressed by the development strategy in terms of the current and prospective situation, and both negative and positive aspects.

The programmes succeeded in highlighting a range of development potentials and bottlenecks. However, according to recent evaluation reports, a common problem with the programme analyses was their scale and lack of focus. For instance, initial drafts of the analysis sections of the Latvian NDP were described as large, unfocused displays of all available data provided by inter ministerial services.[22] Data availability has also been a significant problem in a number of countries, e.g. Cyprus and Malta. Regional statistics have proved to be particularly problematic, as has access to data on the core horizontal themes. Poor integration and analysis of horizontal themes is a frequent shortcoming in the programming documents. In particular, detailed analyses of the information society have proved difficult, in part due to lack of appropriate indicators (e.g. Estonia, Czech Republic and Lithuania). A surprising feature of a number of the programmes is also their lack of strategic international focus, e.g. the existing cross-border links in the case of the Baltic States.

These deficiencies hamper the identification and prioritisation of development potentials and bottlenecks and, therefore, could impact on the effectiveness of EU Funding. Consequently, significant improvements had to be made in order to set out a precise definition of the framework and subject of analysis, the major problems faced and a hierarchy of problems. Significant improvements are noted in the general analysis and SWOT analyses for Lithuania and Latvia. Improved availability of data has contributed to a strengthened analysis of development needs in Romania.

[21] CEC (1999)
[22] Phare Project (2003)

8.2.3 Evaluation of Reasons for Selection of Priorities and their Arrangement, Internal and External Consistency of the Programme

The approach to strategic planning commonly proceeds through a hierarchy of strategic elements, beginning with an overall statement of intent, which is then progressively disaggregated or refined into strategic objectives, development and specific measures.[23] As the goal of SF programming is economic and social cohesion, all NDPs set out relatively similar global objectives in terms of improving living standards, raising the level of GDP per capita, and creating employment. Thus, most strategic aims could be applied to almost any programme and any country with relatively bland but universally relevant statements. In part, this is due to the fact that the majority of the new Member States face similar key challenges. The aims are also strongly influenced by the eligibility criteria of the SF.

Most NDPs state the dual goals of catching up with EU levels of GDP per capita, and reducing interregional disparities within the country. The balance between these two goals depends to some degree on the extent of regional disparities within the country, compared to the gap towards the EU level of development. Both goals are generally seen as complementary rather than potentially conflicting, even though the national growth process tends to be driven by those regions where economic activities are most dynamic – which are by definition to be the regions with relatively high levels of GDP per capita.

Territorial themes are explicitly integrated to a variable extent across the programmes. In the case of some countries, there is an explicit focus on tackling development disparities between regions. For example, the Czech Republic, Poland and Hungary have dedicated regional development programmes. In other cases, there is an implicit objective to address broad territorial development goals running through the programmes. In the Czech Republic, while provision is made for a Joint Regional Operational Programme, regional disparities are also linked into wider actions such as the promotion of competitiveness, through the implementation of the Operational Programme for Human Resource Development. In other cases, the regional and territorial dimension of programming documents has tended to be weak. For instance, the Latvian NDP had a weak regional dimension to programming due to under-developed regional policy. Similarly, in Lithuania the regional dimension of the programme has tended to be neglected. In Romania, the regions were invited to prepare a Regional Development Plan, but their input varied in content and quality.

[23] Bachtler, J, Taylor, S. and Kearney, C. (1996)

Differentiation between countries is also apparent when financial allocations and programme priorities and measures are taken into account.[24] For example, Cyprus has allocated a larger proportion of its funding to rural development than the other new Member States. Estonia, Latvia, Lithuania, the Czech Republic, Hungary, Slovenia and Slovakia have all allocated over 20 percent of their funding to priorities or programmes supporting Human Resource Development. The Czech Republic and Poland have allocated the largest proportion of their funding to integrated regional operational programmes. Another area of funding where considerable resources are concentrated is infrastructure development, 37 percent in Estonia, 40.6 percent in Slovakia.[25] A categorisation of the types of development priorities for SF programmes in the new Member States is set out in Box 2.

Box 2: Priorities for Structural Funds Programme in the new Member States

Infrastructure provision:

- Modernisation and development of transport infrastructure (Cyprus, Estonia, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia)
- Investment in environmental infrastructure (Estonia, Hungary, Latvia, Lithuania, Malta, Slovakia)
- Development of local infrastructure (Slovakia)
- Investment in ICT network (Estonia, Latvia)

Agriculture and Rural Development:

- Increased efficiency of agricultural production (Czech Republic, Hungary, Latvia, Malta, Poland, Slovakia)
- Improved quality of life of rural population (Cyprus, Slovakia, Slovenia)
- Renovation and Development of Villages (Estonia)

Human Resources:

- Increased employability and labour market flexibility (Estonia, Latvia, Lithuania, Malta, Slovakia, Slovenia)
- Development of inclusive labour market and equal opportunities (Czech Republic, Hungary, Latvia, Lithuania, Malta, Slovakia, Slovenia)

[24] For details on financial allocations per country see table 19-12 and table 19-13 in the Annex

[25] CEC (2004) http://europa.eu.int/comm/regional_policy/index_en.htm and country programming documents

- Improved qualification and training (Estonia, Latvia, Slovakia, Slovenia)

Industry/Enterprise:

- Development of industrial production/direct business support (Cyprus, Lithuania, Malta Slovakia)
- Investment in business infrastructure/environment (Czech Republic, Cyprus Estonia, Lithuania, Slovakia, Slovenia)
- Promotion of R&D and Innovation (Czech Republic, Estonia, Latvia, Lithuania, Poland, Slovakia, Slovenia)
- Tourism development (Estonia, Latvia, Lithuania)
- Support for SMEs (Latvia, Malta)

Regional Development (Czech Republic, Hungary, Estonia, Slovenia, Malta, Poland)

Forestry (Estonia, Latvia, Lithuania)

Fisheries (Estonia, Latvia, Lithuania, Malta, Poland)

Health care and social infrastructure (Estonia, Latvia, Lithuania)

Urban development (Cyprus)

At the priority and measure level, more area-specific issues are raised, and there are greater variations in structure, substance and terminology and degree of geographical and sectoral orientation. However, a number of evaluation reports also point out that the aims, priorities and measures are too general, leading to problems with insufficient selectivity, lack of details and strategic focus, and potential overlap – particularly, as the programming period is short and the countries needs are extensive. Another weakness identified is a lack of consistency across the programmes, i.e. programme aims do not reflect development needs highlighted in the programme analysis. Key examples are outlined below.

- Czech Republic - The involvement of a large number of partners appears to have led to pressure for an extension rather than a reduction of the strategic aims and objectives of the programming documents, which could risk dispersion of limited support among too numerous priorities and measures.
- In Estonia, the emphasis of measures is on achieving short-term objectives and maintaining the status quo, and not on developments with a long-term perspective. More attention is paid to physical infrastructure and agriculture than human resource development.

There is an excessive number of measures - some with very small financial coverage and interrelated with one another. The large number of measures disperses scare financial resources and makes administration costly.

- Lithuania – Concerns were raised that the NDP lists too many measures and that there was a need for 'greater prioritisation'. Too many measures can result in over fragmentation, increased management difficulties and a lack of focus. It was also recommended that allocations to human resources development should be strengthened.
- Poland - In order to ensure better coherence, it was suggested to restrict the number of development axes from five to three, relating to economic growth, employment, social and spatial integration.
- Slovakia – The measures duplicate one another. The agriculture and rural development measures are too complex. The high level of funding for agriculture is not in line with the strategy (especially as Slovakia has a strongly industrialised economy).
- Hungary - Regional development elements of the NDP are described as having a "residual" character. It is recommended that regional development should be treated not as "residue", but as a policy domain on its own right.

As these examples suggest, the large number of priorities set out could lead to resources being spread thinly overall, or to some priorities and measures having insufficient resources. This might lead to a lack of credibility of the respective parts of the strategy.

8.2.4 Evaluation of Anticipated Socio-Economic Impacts

Structural Funds are anticipated to bring substantial gains to the new Member States. Some evaluations of the overall economic impact anticipate an increase in GDP of over five percent by 2007. Substantial increases in employment are also anticipated. For instance, the Lithuanian SPD sets a target of between 46,000-52,000 jobs created. The anticipated impact of SF in Estonia is 15,000 extra jobs in manufacturing by 2010 and 32,000 in market services by 2007.

Targets also reflect the objectives of support for SMEs and competitiveness. In Lithuania it is hoped that 16,000–22,000 new business start-ups and existing SMEs will be assisted, and 30,000 people are likely to benefit from training. However, ex-ante evaluation documents stress that it is important

to take into account possible constraints that could limit capacity to meet these targets and shortcomings in the accounts e.g.

- A wide range of macro-economic factors could constrain growth.
- Some targets assume extremely high growth rates and could be over optimistic.
- Anticipated increases in labour productivity are extremely dependent upon progress on other areas, e.g. rolling out ICT.
- The economic models applied in some documents do not take into account the possible problems with absorption capacity.
- The potential for job losses as a result of restructuring of heavy industry and agriculture is not necessarily taken into account.
- High failure rates of SMEs and new start-up companies could be a problem.
- Numbers of jobs created will be part-time or temporary, especially linked to large-scale construction projects.

8.2.5 Complementarity

Another important factor influencing the overall impact of structural interventions is the level of complementarity between SF interventions and other EU support programmes and priorities. Key areas where programming documents take into account links between SF and other EU programme and priorities are: Competitiveness/ICT/Information Society; Cohesion Fund and Trans European Networks; Agriculture and Rural Development and other Community Initiatives. [26]

Competitiveness/ICT/Information Society:

Programming documents have been developed in line with Commission guidelines on the establishment of an Information Society and the recommendations of the 'e-Europe' initiative and the Lisbon Agenda. For instance, the NDP for Hungary prioritises training and the spread of new IT services. It also notes the need to address the specific problem of ICT deficits in remote areas. In Latvia, the main objective for the current programming period is to focus on both the provision of skills necessary for use of ICT and the provision of necessary infrastructure. As an isolated island community, Malta places particular emphasis on the development of highly developed telecommunications networks.

[26] see also chapter 9 for ex-post discussion of link between pre-accession aid, adoption of the Acquis and Community Policies.

However, according to the ex-ante evaluation documents there are cases where plans are not coherent with the country's needs and there are weaknesses in the linkages and support for these actions. In Latvia, financial constraints on ICT and information society expenditure and the decline of budget revenue for R&D spending have weakened the contribution of SF programmes to the competitiveness agenda. In the case of Estonia, concerns are expressed over the extent to which there is scope for the programme to support the labour market dimension of the information society. In the Czech NDP, it was found that an initial, detailed analysis of the condition of information society in education, commerce, and R&D was difficult due to lack of proper indicators.

Sustainable Development and Environmental Protection:

All main programming documents make commitments to the horizontal objective of sustainable development. The NDP for Latvia states that commitments made to this objective will improve environmental management, decrease pollution and support sustainable use of natural resources. In Malta, SF and the Cohesion Fund will assist compliance with environmental standards established in relevant community directives, in particular with regard to waste management and water. The ex-ante evaluation for Malta raises the salient point that environmental issues must not only be taken into account at the programming stage, but implementation structures must also be suitably prepared. The report notes that consideration of the environment as a cross-cutting priority may not have been adequately addressed by all of the organisations involved. The report recommends that supporting guidelines should be drawn up by the Ministry of the Environment and that the environment should be given greater consideration under actions in education and in the development of the productive sector.

Cohesion Fund and Trans-European Networks:

In the new Member States, support for the development of the Trans-European Networks forms a key part of future plans for the Cohesion Fund. It is recognised that the development of transport infrastructure is crucial for regional and national competitiveness. The scale and complexity of these developments mean that it is important to maintain coordination between the actions of various support programmes. The NDPs aim to ensure appropriate co-ordination across transport measures. In Latvia, SF support will be used to support projects that will ensure connections with the larger TEN-Transport network, which will promote economic growth and the accessibility of regions. It is noted in a number of evaluation reports that

potential synergies and linkages could be developed to a much greater extent in the programmes.

Agriculture/Rural Development:

Programme evaluations highlight the potential for Rural Development Plans (RDPs) and SF Programmes to be broadly complementary (e.g. Cyprus). However, the importance of coordination of Rural Development and SF programmes is vital as there is considerable scope for overlap between areas of action set out in the SPD and the RDP. The ex-ante evaluations for Cyprus and Slovakia note that there is a possibility of overlap between the RDP and SPD priorities. The agriculture and rural development objectives set out in the Polish National Development Plan aim to complement the objectives of CAP. Similarly, the country's Rural Areas Development Plan has been developed with reference to SF programmes.

Other Community Initiatives:

INTERREG, Objective 3 and EQUAL Initiatives also have the potential for useful synergies with SF. For instance in the SPD for Latvia, the complementarity with INTERREG programmes in both programming and implementation have been taken into account. For instance, the North Zone INTERREG IIIC programme will provide support for enhancing inter-regional cooperation in the fields of activity supported under the Objective 1 SPD for Latvia. It is also noted that trans-national projects supported under the INTERREG programme can lead to more concrete and financially bigger follow-up projects which could be financed through Objective 1 or the Cohesion Fund. The aim in programming has been to avoid overlaps in the content of the programme. In specific cases, it is noted that there is potential overlap between actions such as the case of INTERREG Greece-Cyprus and the Cypriot SPD in the area of the promotion of competitiveness and environment and culture.

8.2.6 Evaluation of the Outlined Implementation System

Implementation is a key factor that will impact upon the effectiveness and efficiency of SF programmes and, related, their influence on territorial development.

Analysis of the polity and process involved in pre-accession funds reveals that practices and institutions involved in the development and delivery of the funds, which favour the partnership principle, subsidiarity and evidence-based and shared policy-making, are in line with the territorial objectives, by empowering local communities and facilitating networking, dialogue and cooperation within and across regions. These are particularly significant

developments in the Central and East European Candidate Countries and new Member States, where there is a tradition of strongly centralised policy development and implementation combined with weak regional administrations and civil society.

However, experience of implementation of pre-accession aid also highlighted the persistence of long-term weaknesses in the capacity of countries to absorb and deliver EU funds. SF programmes for the new Member States make special provision for measures to support institutional capacity building, which should build on and carry forward advances made under the PHARE programme. However on-going concerns include:

- Lack of identification of final beneficiaries and concerns over the creation, support and organisation of project ideas and identification of final beneficiaries with sufficient capacity for implementation and management of projects.
- Lack of capacity of local administrations to implement projects (Cyprus, Czech Republic, Estonia, Lithuania), especially as local governments could have problems with co-financing as many are small and have limited financial resources.
- A need to clarify the role and position of intermediary bodies and implementation mechanisms for measures (Hungary). For instance it is suggested that in Lithuania, further thought could be given to whether it would be possible and appropriate to delegate responsibility for the project selection process to regional/local institutions - such an approach would help to fast track applications and speed up the approval process.
- Need for measures to ensure cooperation between bodies involved (Czech, Slovakia, Romania, Lithuania).

8.2.7 Conclusions of Meta-Analysis

This meta-analysis began by noting the high expectations associated with SF in the enlarged EU. It is hoped that SF will help to bridge gaps in levels of national and regional development and promote spatial integration. For the new Member States, SF imply a substantial increase in funding levels for a wide range of policy actions, with links to various territorial development goals. However, the impact of the Funds will depend not only on the amount of money available but the development of a sound economic framework, a judicious choice of strategic priorities, the rate of financial absorption, which depends on administrative and institutional capacity and the quality of

projects, and effective project selection and implementation systems.[27] Experience of pre-accession aid programmes and the above ex-ante analysis also suggests that a wide range of factors could constrain the contribution made by SF and pre-accession aid to balanced territorial development.

First, evaluations of existing programmes suggest that the achievements of pre-accession aid were sometimes below expectations, due to overly ambitious goals, problems in implementing specific types of programmes, frequent changes, which confused and complicated support programmes, lack of coordination and difficulty in measuring and identifying the impacts of the programmes.

Second, problems with the quality of background analyses and the strategic objectives of future programmes could limit the impact of SF, by affecting the identification and prioritisation of development potentials and bottlenecks. Ex-ante evaluations of national programming documents commonly found that the background analyses were too large and not sufficiently focused. These deficiencies were then linked to problems with the identification and prioritisation of suitable SF priorities and measures.

Finally, an effective implementation structure for the SF is crucial. In the new Member States, substantial efforts were made to prepare suitable systems for the delivery and development of the programmes. However, weaknesses remain that could limit the effectiveness of the Funds. For instance, lack of identification of final beneficiaries and problems with establishing a project 'pipeline' have led to concerns over the absorption capacity in some recipient regions and countries.

8.3 Analysis of Future Policy-Options based on Regional Typology

Following the meta-evaluation of NDPs this section discusses a more regionally focused approach towards an ex-ante analysis of SF and pre-accession aid[28] on spatial developments.

Since the assessment of future policy impacts on regional level proofed to be unfeasible due to methodological constraints (see also chapter 12) future "policy options" will be discussed by assessing the likely spatial relevance and scope of different types of intervention within different types of regions according to macro, meso and micro level impacts. The objective of this section, thus, is to highlight different alternatives of policy interventions with regard to spatial objectives and spatial levels addressed. By systematically indicating impacts according to type of intervention and type of region addressed, interdependencies between different actions within a given

[27] CEC (2004b: 138)
[28] relating to Bulgaria and Romania until 2007

region (e.g. agricultural restructuring and human resource development in rural regions) and interdependencies between developments in different regions (e.g. capital city regions and their hinterland) can be pointed out.

The discussion is structured around the three main types of regions deriving from the cluster analysis of ESPON project 2.2.2 – 1. capital city regions and growth poles, 2. Western border and central peripheral regions including old industrial regions and 3. Eastern peripheral and rural regions. For each type of region the likely impacts of different types of intervention are indicated which are distinguished according to the main fields of actions within pre-accession aid and SF (transport infrastructure, economic restructuring and innovation support, human resource development, environmental infrastructure, rural development/agricultural restructuring). Only direct impacts which derive from interventions within the region under consideration are emphasized, since side or multiplier effects are even harder to assess.

By taking into account the quantitative and qualitative analysis undertaken by ESPON project 2.2.2 this section already points towards a systematic synthesis of the project's results. Moreover the main results of other ESPON strand two projects are taken into account. However, results of ESPON 2.2.2 and other ESPON projects do not completely cover all dimensions of the "policy options" (all types of regions, all fields of action, all spatial levels), so that in some cases no detailed results are readily available, e.g. on impacts of environmental measures.

The following sections provide the discussion of selected fields of interventions with regard to expected impacts on different spatial levels for each type of region. For each type of region the main findings are summarised in an overview table.

8.3.1 Capital City Regions and Growth Poles

Interventions in capital city regions and growth poles will mainly contribute to spatial developments on macro level, since these regions are the most advanced ones in catching up to EU 15 developments. In this respect interventions related to expansion of TENs, economic restructuring and human resource development. However, it has to be considered that most of these regions on NUTS 2 level include large parts of the agglomeration's hinterland, thus impacts are likely to differ depending on where measures are implemented within the region. Following the below overview table, likely impacts of different fields of actions are discussed one by one.

Spatial impacts of transport infrastructure investments are likely to vary considerably with the type of investment. While the expansion or upgrading

of Trans-European Transport Networks (TEN) mostly affect macro level developments, local or regional transport infrastructure investments primarily affect the micro level. By establishing links between the main European centres TENs foster polycentric development and spatial integration from a European perspective what might support increased spatial convergence in the long-run as well. From a national perspective such positive effects only occur if TENs link the capital city with other main national centres and by this enable a strengthening of the regional centres. However, by facilitating draining effects from regional centres to the capital city TENs likewise bear the danger of fortifying the dominant position of the capital city (see also ESPON project 2.1.1.). Similar restrictions might as well hold for impacts on micro level, since spatial integration and balanced spatial competition within the region might be hampered by negative effects of TEN development on local and regional transport infrastructures (see case study Warsaw in chapter 6).

Regional or local transport infrastructure investments primarily promote spatial integration on micro level by improving links between centre and hinterland as well as circular links between centres situated in the hinterland. Thus in the long run spread-effects can be stimulated which contribute to balanced spatial competition and spatial convergence on a regional level. Due to the regional character of these investments they will however not directly evolve effects on meso or macro level.

Table 8-2: Policy Options for Capital City Regions and Growth Poles

Capital city regions and growth poles	
Main potentials: High share of service sector employment, high HCI, high active population density, high R&D employment, high to medium accessibility from national perspective	Main bottlenecks: In some cases high disparities to hinterland regions, Low accessibility level from European perspective

Notes: √ indicates potentially strong impacts; √ indicates potentially weak impacts; **-** indicates no expected impacts; ↓ indicates potentially negative impacts

	Macro level	**Meso level**	**Micro level**
Transport infrastructure - TENs			
Spatial cohesion	√	√	-
Balanced spatial competition/ Polycentricity	√	√	- ↓
Spatial integration	√	√	- ↓

Transport infrastructure – local and regional infrastructure			
Spatial cohesion	-	-	√
Balanced spatial competition/ Polycentricity	-	-	√
Spatial integration	-	-	√
Economic restructuring and innovation support			
Spatial cohesion	√	-↓	-↓
Balanced spatial competition/ Polycentricity	√	-↓	-↓
Spatial integration	√	-	-
Human resource development			
Spatial cohesion	√	-	√
Balanced spatial competition/ Polycentricity	√	-	-
Spatial integration	√	-	-
Environmental infrastructure			
Spatial cohesion	-	√	√
Balanced spatial competition/ Polycentricity	-	-	-
Spatial integration	-	-	-
Rural development/agricultural restructuring			
Spatial cohesion	-	-	√
Balanced spatial competition/ Polycentricity	-	-	-
Spatial integration	-	-	-

Support for "high road" economic restructuring, e.g. support for Business and Innovation Centres or investment support schemes, which take advantage of the already high service sector activities and R&D-levels will increase the international competitiveness and innovation capacity in the capital city regions and by that will work towards spatial convergence and balanced spatial competition on a European scale. Support for international R&D or innovation related networking will moreover promote spatial integration (see also ESPON 2.1.2). Isolated catching-up of these regions to EU 15 developments, however, bear the danger of strengthening the mono-centric structure within many countries and therefore, working against balanced spatial competition and spatial convergence on national level. This

can be met by addressing interregional economic linkages between the main centres on national level as well. A similar argumentation applies to the regional level, where increasing disparities between the service oriented centre and the mostly agriculturally structured hinterland are already visible.

Human resource development projects, especially those oriented to businesses in innovative and knowledge-based fields, strengthen existing potentials of the capital city regions and thus ensure long-term developments which will contribute to balanced spatial competition and spatial convergence on European level. With internationally oriented projects, such as e.g. proficiency language schemes, moreover spatial economic integration on macro level can be supported. However, similar restrictions with regard to effects on meso and micro level can be assumed as in the case of interventions related to economic restructuring. Positive impacts on micro level can be rather expected from projects addressing e.g. the socio-economic integration of minorities, since increased social inclusion is likely to affect social cohesion within the region as well.

Spatial impacts of environmental infrastructure investments have again to be distinguished according to the type of investment. Municipal infrastructures, like waste/wastewater treatment plants or sewage systems, which represent the majority of environmental investments show effects mainly on micro-level and can be assessed to contribute to spatial convergence within the region by ensuring similar standards of primary municipal services and by preventing negative agglomeration effects - resulting from high density of population and economic activity in the centres – to evolve towards the hinterland. In contrast projects addressing issues like air pollution or river basin management might show effects not only on a regional but also on a national level due to the wider spatial scale of environmental problems related.

Support measures related to rural development and agricultural restructuring are important contributions to overcoming the disparities between capital cities and their rural hinterland. Opportunities for creating alternative non-farming income in the hinterland can also be generated from service and knowledge based developments in the centre. Rural development measures which integrate measures from all fields of action (human resources, SME development, infrastructure) and which are oriented towards developments in the capital cities can therefore support spatial convergence within the region. Due to the limited macro-economic importance of these interventions impacts will be mainly restricted to the micro level.

8.3.2 Western Border, Centrally Located Rural and Old Industrialised Regions

Interventions in these regions are likely to reveal impacts on all three spatial levels, however, most strongly pronounced on meso and micro level. While interventions related to TEN investments, economic restructuring and human resource development will show strongest impacts on meso level. Micro level developments will be particularly affected by local and regional transport infrastructure investments, environmental infrastructure investments and rural development measures. An overview of likely impacts, which are discussed in detail below is given in Table 8-3.

Also in these regions impacts of transport infrastructure projects can be expected to vary depending on the type of investment. TEN investments especially contribute to spatial integration on meso and macro level by linking regional centres to the main national centre(s) and in the case of Western border regions by improving cross-border linkages towards Western European international centres. Improved accessibility of these regions forms an important precondition for further socio-economic developments and a strengthened position of the centres within these regions what will reveal positive impacts on balanced spatial competition within the country and on a European level as well. The priority of TEN investments, however, might as well result in negative effects on regional and local infrastructures and thus might hamper balanced spatial development on micro level. On the contrary regional and local infrastructure investments will mainly contribute to balanced spatial competition and spatial integration within the region while hardly showing impacts on meso or macro level.

Support for economic restructuring and innovation will be especially effective in the regional centres where the service sector and partially R&D activities are already well developed. Thus, by strengthening existing potentials competitiveness of these centres will be enhanced on a national but also European scale – accordingly balanced spatial competition and spatial cohesion will be fostered on these levels. A concentration of interventions on the main regional centres which is most effective from a meso and macro perspective might, however, result in increased disparities between urban and rural areas within the region.

Human resource development programmes affect developments on all three spatial levels. By strengthening the already well developed human capital basis in the regional centres these are supported to compete successfully with the capital city region – thus positive impacts on balanced spatial competitiveness and spatial convergence can be assumed to be mostly pronounced on meso level. Since these regions in many countries rank

second behind the capital city regions positive impacts will also contribute to catching-up processes, hence, balanced spatial competition and spatial convergence on a European scale. Spatial integration on national or European level can be fostered by national or international and in the case of Western border regions particularly cross-border mobility schemes or training programmes.

Investments in municipal environmental infrastructure (waste/wastewater treatment/water provision) provide the regions with a defined standard of primary services and in these terms contribute to spatial convergence. Due to no direct side effects of these investments on the regions wider socio-economic development impacts are limited. Joint cross-border infrastructure investments in the Western border regions can moreover work towards increased spatial integration. Impacts on spatial convergence and spatial integration on a national scale will again rather originate from comprehensive projects like nature protection areas or river basin management.

Rural development programmes and agricultural restructuring measures in these regions reveal strongest impacts on micro level but show effects on national level as well. Rural development programmes which utilise the vital role of regional centres for creating alternative, non-farming employment opportunities and which integrate infrastructure investments, human resource development, environmental measures and economic development in all sectors will contribute to spatial convergence and integration on regional level. Moreover, experiences from EU 15 point towards positive impacts of rural development measures also from a national perspective. Impacts on spatial convergence and balanced spatial competition on national scale will, however, only be achieved if the agricultural and related sectors gain international competitiveness and new chances are created for the "losers" of the restructuring process (e.g. small and medium sized farm households). Likewise, EU 15 experiences indicate that impacts of rural development measures in these regions as structured in the past are not pronounced enough to achieve catching-up of these regions; accordingly the contribution to spatial convergence or balanced spatial competition on a European scale is very limited (see also ESPON 2.1.3).

Table 8-3: Policy Options for Western Border, Centrally Located Rural and Old Industrialised Regions

Western border, centrally located rural and old industrialised regions			
Main potentials: Medium HCI, medium R&D		Main bottlenecks: Medium to low accessibility, medium to low active population density	
Notes: **√** indicates potentially strong impacts; √ indicates potentially weak impacts; **-** indicates no expected impacts; ↓ indicates potentially negative impacts			
	Macro level	**Meso level**	**Micro level**
Transport infrastructure - TENs			
Spatial cohesion	√	√	**-** ↓
Balanced spatial competition/ Polycentricity	√	**√**	**-** ↓
Spatial integration	√	**√**	**-** ↓
Transport infrastructure – local and regional infrastructure			
Spatial cohesion	**-**	**-**	√
Balanced spatial competition/ Polycentricity	-	-	**√**
Spatial integration	-	-	**√**
Economic restructuring and innovation support			
Spatial cohesion	√	**√**	√ ↓
Balanced spatial competition/ Polycentricity	√	**√**	√ ↓
Spatial integration	√	√	-
Human resource development			
Spatial cohesion	√	**√**	√
Balanced spatial competition/ Polycentricity	√	**√**	√
Spatial integration	√	√	-
Environmental infrastructure			
Spatial cohesion	-	√	**√**
Balanced spatial competition/ Polycentricity	-	**-**	**-**
Spatial integration	-	√	√

Rural development/agricultural restructuring			
Spatial cohesion	-	√	√
Balanced spatial competition/ Polycentricity	-	√	√
Spatial integration	-	-	-

8.3.3 Eastern Peripheral and Rural Regions

Since these regions show the lowest performance in many aspects of spatial development, impacts of interventions in these regions will be limited to the national and regional level. As highlighted in Table 8-4 and in the detailed discussion below, impacts on spatial development within the region can be expected to be most pronounced in the field of rural development measures and improvement of regional and local transport infrastructure while investments in TEN infrastructure might also reveal effects on national level.

Investments which are related to TENs will again reveal strong impacts on meso level by reducing one of the main regions' bottlenecks, namely the low accessibility. Since economic developments of these regions are rather not internationally oriented TENs play an important role in linking regional centres to other main national centres but are of less importance with regard to international transport linkages. Accordingly investments will mostly lack effects on macro level. On micro level again the priority of TEN projects over regional and local transport infrastructure projects might have negative side effects on developments within the region depending on the kind of investment. On the contrary regional and local transport infrastructure projects are crucial for improving accessibility within the region, e.g. from rural to urban areas or between urban centres, and therefore, will contribute to spatial development objectives on a micro level perspective.

Economic restructuring and innovation support measures will work towards spatial development objectives as long as they are designed and implemented according to the regions' needs. Special attention should be paid in this respect to integrated measures which utilise existing human capital potentials, reduce the dependency on the agricultural sector and increase competitiveness in innovation oriented economic fields. Since these regions show bottlenecks in many areas best results can be expected from small scale projects with an integrated approach including especially human resource development measures. Target areas of these measures again have to be the main regional centres, since smaller centres or rural areas do not provide a sufficient potential endowment for an effective implementation.

Due to the low competitiveness of these regions on international level impacts will be limited to the meso and especially micro level.

Table 8-4: Policy Options For Eastern Peripheral and Rural Regions

Eastern peripheral and rural regions			
Main potentials: Medium to low HCI		Main bottlenecks: Low population density, low accessibility, high share of employment in agriculture	
Notes: **√** indicates potentially strong impacts; √ indicates potentially weak impacts; **-** indicates no expected impacts; ↓ indicates potentially negative impacts			
	Macro level	**Meso level**	**Micro level**
Transport infrastructure - TENs			
Spatial cohesion	-	√	- ↓
Balanced spatial competition/ Polycentricity	-	**√**	- ↓
Spatial integration	-	**√**	- ↓
Transport infrastructure – local and regional infrastructure			
Spatial cohesion	-	-	√
Balanced spatial competition/ Polycentricity	-	-	**√**
Spatial integration	-	-	**√**
Economic restructuring and innovation support			
Spatial cohesion	-	√	√
Balanced spatial competition/ Polycentricity	-	√	√
Spatial integration	-	√	√
Human resource development			
Spatial cohesion	-	√	√
Balanced spatial competition/ Polycentricity	-	√	√
Spatial integration	-	√	√
Environmental infrastructure			
Spatial cohesion	-	√	√
Balanced spatial competition/ Polycentricity	-	-	- ↓
Spatial integration	-	√	- ↓

Rural development/agricultural restructuring			
Spatial cohesion	-	√	√
Balanced spatial competition/ Polycentricity	-	√	√
Spatial integration	-	-	-

Environmental infrastructure investments of a municipal type support the generation of a minimum standard of living conditions and therefore mainly contribute to spatial convergence in these limited terms within the region. Large scale investments, which are not adapted to the low population density and the low level of development in these regions, might but also hamper spatial convergence on regional or national level by distracting financial resources from other fields of action (see also case study on Hungarian Szabolcs-Szatmár-Bereg County in chapter 6). Projects addressing cross-regional issues of environmental protection might have moreover positive impacts on spatial convergence and spatial integration on meso level.

Due to the extremely high share of agricultural employment in many of these regions integrated rural development programmes are of high priority for achieving greater spatial convergence within the regions but also within the respective countries. In this respect a combination of interventions focussing on the regional centres as nodal points of alternative economic developments and supporting the competitiveness of the agricultural and related sectors in rural areas will increase balanced spatial competition and spatial convergence on meso and micro level (see also ESPON 2.1.3).

8.3.4 Conclusions

Above developed policy options highlight that interventions can work in different ways according to the region and mode of implementation. As in the past, future policy impacts will therefore depend on one side on an adequate selection of measures and on the other on the policy approach chosen and the extent to which measures are integrated and coordinated. Development disparities in the enlarged EU are substantial and are shaped by a range of economic, political, social and cultural conditions. Consequently, EU SF, which are limited in terms of spatial coverage and available resources, will not necessarily have a pronounced impact on embedded territorial development patterns in the short to medium term. Although the above considerations can contribute to an improvement of policy approaches and as a result increased spatial impacts, in fact, in the future it will also be difficult to identify specific impacts of EU structural

policies. As the Third Cohesion report notes, "most of the effects of cohesion policy cannot be readily expressed in quantitative terms…its added value arises from other aspects, like the contribution made to regional development, by factors such as strategic planning, integrated development policies, partnership, evaluation and the exchange of experience, know-how and good practice between regions".[29]

Moreover, SF do not operate in isolation. The fact that SF operate alongside a wide range of other EU policies, notably EU Agricultural, Environmental, R&D, Transport, Competition and Internal Market policies, further complicates identification of their territorial impact. However, by complementing SF actions, other EU policies have the potential to enhance the overall impact of structural policy on territorial development. Equally, there is scope for policy duplication, overlap, lack of coordination, missed opportunities and conflict which could limit the contribution of EU policies.

In order to prevent contradictory interventions and achieve greatest possible impacts clear priorities need to be set regarding the preferred spatial level of impacts and the spatial objectives pursued. Foremost, this depends on the politically set agenda of spatial policies which is currently under discussion with regard to SF reforms for the next programming period.

8.4 Outlook: Structural Funds Reform Debate

These policy options have to be seen against the political and institutional context of on-going SF reform debates. The Third Cohesion Report, published by the European Commission on 18 February 2004, has established a new framework for the SF reform debate. The report sets out the Commission's proposals for the future of EU Cohesion policy after 2006, which are structured around three key priorities: convergence, competitiveness and cooperation.

- Convergence: The aim of the convergence priority would be supporting growth and job creation in the least developed Member States and regions. Particular reference is made to regions with a per capita GDP of less than 75 percent of the Community average. Principal areas of support would be the modernisation and diversification of basic infrastructure, environmental protection, more efficient administration, better quality labour market institutions, education and training systems and optimal use of labour market institutions.
- Competitiveness: Through regional programmes, Cohesion policy would help regions and regional authorities to anticipate and promote economic change in industrial, urban and rural areas by strengthening

[29]CEC (2004b: 138)

their competitiveness and attractiveness, taking into account existing economic, social and territorial disparities. Through national programmes, Cohesion policy will help individuals prepare for and adapt to economic change by supporting policies aimed at full employment, a better quality and more productive labour force, and social inclusion.

- Cooperation: The aim of the cooperation priority is ensuring a harmonious and balanced development throughout the Union though the continuation of policy to promote harmonious and balanced development by supporting cross-border and trans-national cooperation. The key task is to seek common solutions to common problems through cooperation between the competent authorities, in fields such as the development of urban, rural and coastal areas, strengthened economic relations and the networking of small and medium sized enterprises.[30]

[30] Inforegio news (2004)

Table 8-5: Proposed Reform of Structural Funds: Third Cohesion Report.

	Convergence	Competitiveness	Cooperation
Eligibility	Least-developed regions with a GDP per head less than 75 percent of the EU average. Statistical effect: Regions, which would qualify for Objective status in an EU15 but, because of the 'statistical effect' of enlargement, would not qualify in an EU25/ Support under the Cohesion Fund: countries with GNP below 90 percent of the EU25 average.	'Phase-in regions' - current Objective 1 regions which would become ineligible for Objective 1 status even in an EU15 because of their economic growth. All other regions not otherwise designated under the convergence priority or as phase-in regions.	Cross-border cooperation along external and internal borders, including both land and sea borders, to promote joint solutions to common economic problems. A New Neighbourhood Instrument will be created to facilitate more effective actions on the external borders. Trans-national cooperation, operating in zones to be agreed between the EC and Member States, to support strategic priorities with a trans-national character such as R&D, information society and the environment.
Support	Supporting growth and job creation in the Member States and least developed regions. Principal areas of support will be the modernisation and diversification of basic infrastructure, environmental protection, more efficient administration, better quality labour market institutions, education and training systems and optimal use of labour market institutions.	Regional programmes funded by ERDF to help regions anticipate and promote economic change in industrial, urban and rural areas. National programmes funded by ESF to reinforce the introduction and implementation of structural reforms in the labour market and strengthen social inclusion in line with the objectives and guidelines of the European Employment Strategy.	Promote joint solutions to common economic problems. To support strategic priorities with a trans-national character such as R&D, information society and the environment.

	Convergence	Competitiveness	Cooperation
Regions	Lagging regions: Most of the new Member States (except some capital cities) and significant parts of Greece, Portugal, Spain, Italy and eastern Germany. Statistical effect: Applies mainly to regions in Germany, the UK and Spain, and is regarded as transitional support to enable them to adapt to the loss of full Objective 1 eligibility. Cohesion Fund: includes all of the new Member States as well as Portugal and Greece. There is no recognition of a statistical effect to compensate for loss of Cohesion Fund status (Spain).	EC will allocate 'financial envelopes' to Member States potentially on the basis of criteria such as GDP, unemployment and population density. The Member States would then have the responsibility for allocating resources within countries. However, The EC suggests that future regional programmes may need to be based on larger regions to enable the development of a coherent strategy.	External and internal border regions, including land and sea borders. Nation states

Source: Inforegio news (2000); Bachtler, J. (2004) and CEC (2004b)

These themes represent a broader rational for EU Cohesion Policy. Greater stress is placed upon links to the Lisbon Agenda, by arguing that promoting regional competitiveness will boost the growth potential of the EU economy as a whole. Intervention in support of economic and social cohesion is also linked with action to promote balanced development of the EU territory.[31] The implication is that the remit of EU Cohesion policy reaches beyond imbalances in income and employment to address issues such as the polycentric development of urban areas, infrastructure endowment in educational, health and social services, and the specific problems of areas with geographical handicaps (e.g. islands, mountain areas). The EC's proposal would lead to EU Cohesion policy becoming a permanent, horizontal policy pursuing the goal of balanced territorial development, with *all* regions eligible for some form of future EU support.

In terms of policy delivery, the new system would retain the key principles underlying the SF – multi-annual planning, integrated development strategies, partnership, co-financing and concentration. However, it is acknowledged that it is necessary to simplify and decentralise the process.

[31] The draft EU Constitution proposes that the promotion of territorial cohesion should become one of the Union's objectives (Article 3) and should be addressed as an area of competence shared between the EU and Member States (Article 13).

For instance, the procedures for financial management, financial control and additionality would be rationalised and decentralised. However, partnership would be enhanced by requirements to involve social partners and civil society representatives to a greater degree. Tripartite agreements between Member States, regions and local authorities are also proposed.

The future contribution of SF also has to be seen in the context of funding for other EU policies, e.g. possible increases in funding for 'competitiveness' to implement the Lisbon agenda and increased resources for EU internal policies (citizenship, freedom, security and justices) and external relations (EU as a global partner). It is proposed that the EU would commit an average of €146 bn per year to Cohesion policy over the 2007-2013 period. This compares with a figure of €121 bn for the final year of the current period and represents an increase of 31 percent in planned EU spending. The proposed allocation of the Cohesion policy budget to the three main policy priorities is set out in Table 10-6.

Table 8-6: Proposed Financial Allocation to Priorities

Priority	Financial instruments	Budget	
		(%)	(€ bn)
Convergence	ERDF, ESF, Cohesion Fund	78	262
Regional competitiveness & employment ▪ Regional competitiveness programmes ▪ National employment programmes	ERDF ESF	18	60.5
European territorial co-operation	ERDF	4	13.5

Source: CEC (2004b) and Bachtler, J. (2004)

Amongst the EU Member States, the budget has been one of the most contentious elements of the on-going SF reform debates. In December 2003, six Member States (Germany, the Netherlands, UK, France, Sweden, Austria) requested that future EU spending should not exceed 1.0 percent of GDP. Other Member States, notably the current Cohesion countries – Portugal, Spain and Greece – and many accession states, support the Commission's proposals for an increase in EU spending in the next period.[32]

[32] Bachtler, J. (2003: 302-305)

Another issue concerns the resources allocated to EU Cohesion policy. At one end of the spectrum, Spain, Portugal and Greece, as well as many new Member States, have explicitly called for an increase in EU Cohesion policy spending at or beyond the current 0.45 percent of EU GDP, although without specifying what level of expenditure would be required. Italy and Finland believe that the current ceiling should be maintained, but not exceeded, a view shared by the European Commission. By contrast, the net contributor countries – Austria, Germany, the Netherlands, Sweden, UK – argue in favour of a level of spending considerably below the current 0.45 percent ceiling.

There are also differing opinions on how the goals of EU Cohesion policy should be pursued. The EC, other European institutions and many Member States and sub-national interests support the current model of policymaking whereby the task of addressing economic and social cohesion is shared among European, national and sub-national levels. A fundamentally different approach to EU cohesion policy has been advocated by countries such as the Netherlands, Sweden and the United Kingdom, which consider that the current approach is no longer sustainable outside Objective 1. Whereas the EC is proposing that all regions should be eligible for funding, the UK and Dutch governments would prefer to see a rationalisation of EU intervention, with spending limited to the poorest countries. The German (federal) government also supports a reduction in EU spending on Cohesion policy, focusing resources almost entirely on the poorest regions. Further, under the UK's proposal, broad policy objectives would be established at European level (based on the Lisbon agenda) but with the implementation of these objectives being undertaken by the Member States and regions without the transfer of EU resources. This would imply EU cohesion policy in the richer countries being governed by the 'open method of coordination'.

The requirement to achieve unanimity among 25 Member States means that compromises will have to be made. This will doubtless involve trade-offs in the size, objectives and allocation of the EU budget as well as taking account of negotiations in other areas of European integration, notably the EU constitution.[33]

[33] Bachtler, J. (2003)

9 Territorial Development and the Adoption of the *Acquis* and Community Policies

The Community *acquis* is the body of common rights and obligations which bind all the Member States together within the European Union and is composed of all the treaties, regulations and directives passed by the European Union institutions as well as judgments by the Court of Justice. The "*acquis communitaire*" comprises not only Community law in the strict sense, but also all acts adopted under the second and third pillars of the European Union and the common objectives laid down in the Treaties.[34] As the Commission notes, it is constantly evolving and comprises:

- the content, principles and political objectives of the Treaties;
- the legislation adopted in application of the treaties and the case law of the Court of Justice;
- the declarations and resolutions adopted by the Union;
- measures relating to the common foreign and security policy;
- measures relating to justice and home affairs;
- international agreements concluded by the Community and those concluded by the Member States between themselves in the field of the Union's activities.

Adoption of the *acquis* by the new Member States and Candidate Countries is at the centre of the enlargement process. Each applicant country has to 'close' all 31 *acquis chapters* before they enter the EU (see table 19-14: chapters of the *acquis* in the annex.) The chapters incorporate an extremely wide range of often highly technical issues ranging from arrangements for the implementation of SF to border controls and nuclear safety. The Candidate Countries and new Member States have varied in their progress towards the adoption of the *acquis.* In this context, it is important not only to consider what chapters have been adopted in which countries. It is equally important to take into account the distinct national contexts in which these developments are taking place, as this enables a more accurate understanding of respective levels of progress and of variations between countries. For instance, some countries are likely to have found the process more or less demanding than others depending on their economic, political and social developmental backgrounds.

With the exception of Bulgaria and Romania, negotiations with the ten new Member States were successfully concluded at the Copenhagen Council

[34] http://europa.eu.int/scadplus/leg/en/cig/g4000c.htm

Meeting in December 2002 when all negotiation chapters of the *acquis* were closed. According to the EC's 2002 Regular Reports, the majority of countries have made significant progress in terms of both the transposition of the *acquis* and administrative capacity. In a number of areas where there have been restrictions of both scope and time, new Member States have been granted transition periods for the full application of chapters of the *acquis*. Management of these transition periods will be closely monitored. The aim of the following sections is to provide an overview of the territorial impacts of the *acquis* and Community policies and their linkages to pre-accession aid implementation. A detailed account of all the territorial impacts of the entire *acquis* and such complex community policies as CAP and the SF is not possible within the confines of this project. Partner ESPON projects, e.g. 1.1.3, 2.2.1 and 2.1.2, deal with these issues in much more depth. The broad impact of enlargement on the EU territory and nation states is also the subject of numerous studies, including ESPON 1.1.3, and will not be the primary focus of this analysis. Where this analysis can 'add value' is by providing a broad review and synthesis across policies, legislation, and geographic scales. In doing this it can also be highlighted how the implementation of the *acquis* affects territorial impacts of pre-accession aid. Linkages can be clearly established in two ways. Firstly, pre-accession aid projects are in many ways directly designed to support implementation of the *acquis* (e.g. ISPA environmental projects support the implementation of the EU's environmental directives). Secondly, the adoption of the *acquis* impacts significantly on the development of the macro-economic framework in the new Member States and Candidate Countries (e.g. internal market regulations), what has an implicit influence on territorial impacts of pre-accession aid as well. With reference to territorial development goals, the analysis summarises broad development trends and processes with regard to the *acquis*, details the complexity of implementing policies and legislation and highlights potential variations between countries and regions.

9.1 The *Acquis*, Community Policies and Territorial Development

The following sections present a review of the anticipated impacts of the *acquis* and related Community policies in key areas, where ongoing progress with applying the *acquis* is particularly important from a spatial perspective[35]. Those key areas which have been synthesised as central themes from country analyses are agriculture, environment, transport, regional policy, competition policy, R&D policy and the internal market.

[35] For an overview on the relation between single acquis chapters and territorial development themes see table 19-15 in the Annex.

9.1.1 Agriculture and CAP

Context

In terms of agriculture, enlargement is expected to double the agricultural labour force as well as the arable area of the EU, and to add over 100 million food consumers to the internal market. The Common Agricultural Policy (CAP) is widely regarded as one of the most important EU policy areas. First, a large share of the EU budget is devoted to CAP (almost 50 percent). Second, a vast number of people and territory are directly affected by CAP expenditure. Third, the extent of sovereignty transferred from the national to the European level is considerable, in comparison to other policy areas. Implementation of SAPARD in the new Member States and Candidate Countries has to be seen against this background.

Territorial Impact/Benefits

CAP, and the associated *acquis* on agriculture, also have important implications for the territorial development of the new Member States and Candidate Countries and are likely to impact upon spatial cohesion, spatial competition and spatial integration as Table 9-1 illustrates, (see also ESPON 2.1.3).

Table 9-1: Agriculture and Territorial Goals

	Agriculture and CAP
Spatial cohesion (equity)	Rural development funding to promote development of lagging regions. CAP aims to assure the availability of supplies, promoting equity across the EU. CAP aims to ensure that supplies reach consumers at reasonable prices, which could promote equity objectives through supporting regions where physical conditions could limit supply and increase cost. Equity goals are addressed by the aim to provide a guaranteed standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture. Moves to promote the multi functionality of agriculture, i.e. its varied role over and above the production of foodstuffs, could promote more balanced development in lagging rural regions.

Balanced spatial competition (efficiency)	Efficiency objectives could be addressed by the aim to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour. Multi sectoral and integrated approach to the rural economy in order to diversify activities, create new sources of income and employment and protect the rural heritage. Flexible aids for rural development, based on subsidiarity and promoting decentralisation, consultation at regional, local and partnership level.
Spatial integration	Promotion of rural linkages and connectivity. Market unity: A single market with a common system of marketing and pricing and free competitiveness of agricultural commodities in domestic and world markets. Flexible aids for rural development, based on subsidiarity and promoting decentralisation, consultation at regional, local and partnership level.

Potential Issues/Challenges

The impact of CAP and the agriculture *acquis* will vary according to the size, structure and economic importance of agriculture in each of the new Member States and Candidate Countries. For instance, Poland has high levels of employment in agriculture, while the Czech economy is less reliant on income from the agriculture sector. Obviously, within each country there are also likely to be strong disparities between regions in how they will be affected by CAP, with some more likely to benefit than others depending on regional economic structures, e.g. rural vs urban amount of land under cultivation etc.

Based on the priority given to agriculture, the demands of the *acquis* and the high level of resources attached to CAP, it can be assumed that the combined impact on the new Member States will be substantial. More specifically, positive associations can be made to the promotion of territorial goals.

The unfavourable farm structure in the Central and Eastern European Countries, in particular the large number of small farms and the existence of durable semi-subsistence farming, combined with the presence of an emerging commercial farming sector pose a range of administrative and

economic dilemmas for the Common Agricultural Policy.[36] While the commercial sector needs to invest and restructure, subsistence farming continues to play a major role as a social safety net in rural areas and part of the subsistence sector may still develop and integrate itself in a market economy. If direct aids are introduced too quickly in the new Member States, there is a risk that necessary restructuring would be slowed or even stopped. It is also unclear how CAP would deal with unclear ownership structures that exist in some countries.

CAP and the *acquis* may fail to address the specific needs of the new Member States. Criticisms of CAP have several aspects. The need for countries to invest heavily to meet EU standards and higher EU guaranteed prices for some farm products could push up prices in the Central East European (CEE) new Member States. CEE producers will also face increased competition from efficient EU producers, an increased global competition and could lose competitiveness as a result of EU membership.[37] It is argued that the CEE countries need an agricultural policy which will enable them to exploit their advantages of low labour and land costs to expand production where it is competitive, keep food prices relatively low, whilst facilitating the inevitable contraction of employment in agriculture.[38] In CEE, not only farm structures but 'up and down stream infrastructure', services, and off-farm employment opportunities will require development.[39] Another key risk during the early years after accession is that the restructuring process and Community Instruments will be associated with growing rural unemployment and poverty.

It is also worth noting that not all elements of CAP will be applied in full in the new Member States after enlargement. The 10 new Member States will gradually phase in EU agricultural direct payments between 2004 and 2013. Direct payments will start at 25 percent in 2004, 30 percent in 2005 and 35 percent in 2006 of the present system and increase by 10 percentage steps to reach 100 percent of the then applicable EU level in 2013. Rather than applying the standard direct payment scheme applicable in the current EU, the new Member States have the option, during a limited period, of granting their farmers CAP direct payments in the form of decoupled area payment (a simplified payment scheme). The new Member States will have special additional financial aid for rural development for a limited period. Also, certain rural development measures have been adapted or created in order

[36] CEC (2002b: 3) and Ardy, B. (2000)
[37] http://www.bcemag.com/y2000/jul_aug00/survey/0007survey.htm
[38] Mayhew, A. (2000)
[39] CEC (2002b: 3)

to reflect better the requirements of the new Member States in the first years of accession.

9.1.2 Environment

Context

Levels of pollution in the new Member States and Candidate Countries are significantly higher than those in the current EU, where strict European environmental laws have been applied for many years. In preparation for EU membership, the new Member States and Candidate Countries have to bring their environmental laws and standards into line with those in the EU. EU environmental legislation covers a vast range of issues: sustainable development, waste management, noise pollution, air pollution, climate change, water protection and management, protection of nature and biodiversity, soil protection, chemical products and civil protection.[40] In preparation for compliance with this array of legislation, particular assistance has been given to the Environmental Ministries of the acceding countries to raise the profile of environmental policy in their respective countries.

ISPA has been the main Community financial pre-accession instrument for supporting big environmental infrastructure projects helping the CEE countries meet the *acquis*' requirements. Half of the total ISPA budget of 1Bn € per year for the 10 countries has been earmarked for environment projects, which have mostly involved large infrastructure in the water and waste sectors.[41] According to DG Environment, although there was no ear-marking of funds for the environment, a significant number of PHARE national and Cross-Border-Cooperation projects were either specifically related to the environmental *acquis* or included components related to environmental integration (such as in context of development projects).[42] The SAPARD programme and a range of other Community Programmes, (e.g. LIFE-Environment and the IMPL Network), also provide the new Member States with an opportunity to promote environmental development.

Territorial Impacts/Benefits

The general ways in which EU environmental legislation and policies could impact on territorial development are highlighted in Table 9-2.

[40] http://europa.eu.int/comm/environment/index_en.htm
[41] http://europa.eu.int/rapid/pressReleasesAction.do?reference=MEMO/04/86&format=HTML&aged=0&language=EN&guiLanguage=en
[42] http://europa.eu.int/rapid/pressReleasesAction.do?reference=MEMO/04/86&format=HTML&aged=0&language=EN&guiLanguage=en

Table 9-2: Environment and Territorial Goals

	Environment
Spatial cohesion (equity)	Support for environmentally disadvantaged regions, e.g. regions with high levels of pollution or environmentally protected regions.
Balanced spatial competition (efficiency)	Addresses pollution as a bottleneck to development. Improved quality of life/environment. Improved environmental infrastructure.
Spatial Integration	EU neighbourhood policy - working with neighbouring states.[43] Cross-border cooperation in the establishment of protected regions, environmental management, flood management.

As a result of this assistance and the efforts of the countries in question, the adoption of the *acquis* and EU environmental policies have already made a substantial impact on developments in the acceding countries. From a territorial development perspective, some interesting examples include:

- The former 'Black Triangle' area situated on the borders of Poland, the Czech Republic and the former East Germany was formerly one of Europe's most polluted industrial regions. The region now has improved water quality in rivers, reduced levels of acid rain and improved air quality levels. Poland and Czech Republic now jointly manage a nature reserve in the region, and the air quality monitoring systems designed for the project are in permanent use.
- Czech Republic, Hungary, Malta and Poland increased the percentage of residential population connected to waste water treatment between 1996 and 2001. In the programme "City towards Compliance Awards", a number of cities which have implemented all the EU legislation concerning water treatment achieved encouraging results in the management of air quality and waste management; Gyongyos in Hungary, Valmiera in Latvia, Rimavska Sobota in Slovakia, and Domzale et Maribor in Slovenia.
- A trans-national cooperation programme has been established between Poland and Slovakia, in the region of Mount Babia Gora, in the framework of a nature conservation programme to protect the

[43] EUROSTAT (2003)

exceptionally rich flora and fauna of the area (more than 100 species of birds, hundreds of bears, wolves and lynxes).[44]

Potential Issues/Challenges

Given the demands of EU environmental legislation and the amount of ground that the new Member States have had to make up, it is not surprising that some transitional period have had to be granted to allow sufficient time for compliance, mainly in the water, waste and industrial pollution sectors. Requests for transitional measures needed to be justified by detailed implementation plans ensuring that compliance with the *acquis* will be reached over time.[45]

In the longer term, European Commission data shows that EU environmental policy in the new Member States will bring significant benefits not only for the countries themselves, but also for the EU and for other neighbouring regions.[46] Benefits include:

- Better public health: as people are less exposed to air pollution
- Less damage to forests, fields and fisheries, and to buildings.
- Cleaner water
- Safer and sounder waste management: public health will improve because of lower emissions and leakage from landfills.
- Protected natural areas will increase, and the protection will cover a wide range of species.[47] The acceding countries have a large variety of eco-systems and well preserved natural resources, extensive unspoiled regions.

After accession, assistance in the environment field will almost treble and the territorial impacts of environmental actions are likely to be amplified. Until the end of the current budgetary period in 2006, the new Member States will receive €8bn.[48] SF programmes will be a key source of funding and targeting will correspond to strategies set out in NDPs and associated programming documents.

[44]http://europa.eu.int/rapid/pressReleasesAction.do?reference=MEMO/04/86&format=HTML&aged=0&language=EN&guiLanguage=en
[45]http://europa.eu.int/rapid/pressReleasesAction.do?reference=MEMO/04/86&format=HTML&aged=0&language=EN&guiLanguage=en
[46] http://www.eplp.org.uk/implicationsenv.pdf
[47] http://www.eplp.org.uk/implicationsenv.pdf
[48]http://europa.eu.int/rapid/pressReleasesAction.do?reference=MEMO/04/86&format=HTML&aged=0&language=EN&guiLanguage=en

9.1.3 Transport and TENs

Context

The *acquis* in Chapter 9, "Transport policy", is based on Articles 70-80 of the EC Treaty. The transport *acquis* consists mainly of secondary legislation, i.e. several hundred Regulations, Directives and Decisions, covering railway, roads aviation and maritime transport.

The EU's programme of Trans-European Networks (TENs) aims to promote the interconnection and interoperability of national networks as well as the access to them. In doing so, they are perceived to promote the implementation and development of the internal market, as well as re-enforcing economic and social cohesion. The new Member States and Candidate Countries generally have less well-developed infrastructure networks than in the EU 15 and poor infrastructure is commonly identified as a key bottleneck to development. Hence, the construction of the Trans-European Transport Network is a major element in economic competitiveness and a balanced and sustainable development at the EU, national and regional level.[49] In recent years ISPA has been a major source of funding for large scale transport infrastructure projects related to TENs in the new Member States and Candidate Countries.

Table 9-3: Transport, TENs and Territorial Development

	TENs & transport
Spatial cohesion	Improved transport links and infrastructure to promote economic development in lagging regions. Improved regional competitiveness for lagging regions.
Balanced spatial competition	Improved competitiveness achieved through improved communications links. Transport infrastructure promoting the development of growth poles at regional, national and EU level.
Spatial integration	Improved linkages between regions and Member States. Co-operation on cross border transport projects. Higher connectivity between the Member States.

[49] http://europa.eu.int/comm/ten/transport/index_en.htm

Territorial Impacts/Benefits

The *acquis* on Transport and investment in TENs has important impacts on spatial cohesion, balanced spatial competition and, in particular spatial integration, see Table 9-3 (see also ESPON 1.2.1 and 2.1.1).

Potential Issues/Challenges

As partner ESPON projects demonstrate, the impact of EU transport policies on the new Member States and Candidate Countries will also vary across countries, regions and address different territorial development goals. For example, as ESPON 1.2.1 notes the types of investments made, e.g. in road or rail infrastructure, could lead to variable contributions to aspects of spatial development. Some infrastructure investments have a greater impact on balanced spatial competition than spatial cohesion. For example transport networks focusing on cities, particularly capital city regions, could promote development in already advantaged regions, at the expense of lagging regions. ESPON 1.2.1's analysis of the impact of rail investments during the last decade reveals there is limited impact on equity, whereas a scenario of combined road and rail investments revealed a greater impact on cohesion.

Various aspects of policy could also impact differently on spatial development goals. For instance, pricing policies, (e.g. increasing private transportation costs), were found to work against the general objectives of cohesion and polycentricity. Differing types of regions are also more or less likely to benefit from EU transport policy. In the short term, transport investments could have the greatest impact upon central regions and cities, but with important 'spill-over' benefits for neighbouring regions. Border regions with the EU 15 are also likely to benefit particularly from improved transport and service links with neighbouring regions. However, in many cases, infrastructure deficits are such that only prolonged investment will fully address the countries development needs and meet the goal of balanced competition and polycentric development.

9.1.4 Regional Policy and Structural Funds

Context

The influence of the *acquis* and SF, particularly the availability of vital resources to tackle regional problems, has been a key driver for reform of regional policy across the acceding countries (see also chapter 10 on national regional policies). In the past, in Central and Eastern Europe, regional development initiatives were piecemeal in many of the acceding countries, focusing, for example, on unemployment 'black-spots' or border regions. EU programmes have provided support to develop and strengthen

more 'appropriate' institutions and programmes for the development and delivery of regional policy. Related results are: more integrated regional support programmes; reform of regional development institutions; establishment of NUTS 2 and NUTS 3 regions; and, a greater policy emphasis on regional development.[50] In the late 1990s, the prospect of EU accession and future SF increased pressure to meet Commission requirements for administering regional aid. On accession, the new Member States were expected to comply with requirements, listed in Chapter 21 of the *acquis* relating to regional policy and coordination of structural instruments. Key issues among these are:

- *Programming capacity:* the creation of a structured programming framework, including National and Regional Development Plans, to select the projects that contribute most to achieving regional development objectives.
- *Administrative capacity:* the new Member States have to clearly define the tasks and responsibilities of all the bodies and institutions involved in the preparation and implementation of SF and the Cohesion Fund to ensure effective Ministerial coordination.
- *Partnership/decentralisation:* Regional Development Programmes should be prepared and funds administered in close co-operation between Member States and the European Commission, as well as with national, regional and socio-economic partners within the Member States.[51]

Territorial Impact/Benefits

The EU's SF and the associated *acquis* are not necessarily designed to take territorial cohesion explicitly into account. However, a number of reports have examined the relationships and linkages between the Funds and territorial development, including two reports on the Spatial and Urban Dimensions of the 2000-06 Objective 1 and 2 Programmes and ESPON project 2.2.1.[52] These reports conclude that, while Structural Fund programmes have not been set out to incorporate territorial development goals, there is "an important *implicit* response of the programmes to the

[50] Ferry M and McMaster I (2003)

[51] From European Commission web-site on Chapter 21 – Regional policy and co-ordination of structural instruments http://europa.eu.int/comm/enlargement/negotiations/chapters/chap21/

[52] Rooney, ML. and Polverari, L. with McMaster, I., Michie, R., Raines, P. and Taylor, S. (2001); Polverari, L. and Rooney, ML. with Bachtler, J., McMaster, I., Raines, P., Böhme, K. and Mariussen, A. (2001); Polverari, L. and Bachtler, J. (Forthcoming)

guidelines and aims of, for example, the ESDP".[53] The ESPON project 2.2.1, Work Package 2, puts forward a similar interpretation:

Table 9-4: Regional Policy, Structural Funds and Territorial Development

	Regional policy + structural funds
Spatial cohesion	Support for lagging regions and Cohesion Countries. Emphasis on endogenous development based on regional resources.
Balanced spatial competition	Emphasis on regional competitiveness, innovation R&D. Programming documents aiming to promote balanced, integrated development measures across the whole country.
Spatial integration	Heightened profile of the EU. Promotion of international exchange and cross-border co-operation.

It is possible to identify explicit and implicit coherence between the objectives of programming documents and the objectives of territorial cohesion.

The SF contribute to the achievement of the goals of territorial cohesion (and potentially of polycentrism) in two ways:

- *direct* support occurs when the goals of territorial cohesion are directly targeted by Structural Fund policies, either explicitly or implicitly.
- *indirect* support occurs when the SF are used as a lever for national policies aiming towards the objectives of territorial cohesion, to promote trans-national links, and to support new thinking and new approaches to economic development.[54]

More specific examples of how the *acquis* and SF could impact on territorial objects are set out in Table 9-4.

Potential Issues/Challenges

It is worth noting that there is scope for substantial variation across countries. First, the *acquis* is relatively imprecise in the area of regional policy. It does not define how the specific structures for the practical management of Structural and the Cohesion Funds should be set up and acknowledges that the administrative structures to be put in place also differ

[53] Polverari, L. and Rooney, ML. with Bachtler, J., McMaster, I., Raines, P., Böhme, K. and Mariussen, A. (2001)
[54] Polverari, L. and Bachtler, J. (Forthcoming) and ESPON . 2.2.1.

from small candidate countries without regionalisation to big candidate countries with a strong regionalisation.[55] Differences also stem from the fact that the SF' 'regionalising' objectives and New Member State regional policy agendas and philosophies are not always compatible. Reconciling the priorities and objectives of this new, SF- influenced regional policy with the existing socio-economic context is a challenge. The tension between the traditional approach to regional policy, based on central interventions in targeted regions, and the more modern focus on utilising all regions' endogenous potential, has an impact on the political debate in these countries on the division of regional policy responsibilities between administrative tiers, producing different outcomes.

In the context of accession to the EU, the most important problem for many of the new Member States is not differentiation but the comparatively low economic potential of all regions. It is clear that after accession some peripheral regions may require greater external support and input than others and this argues for a strong central government role. While the principle of encouraging regions *throughout* the country to develop their individual potential and capacities is logical, given comparatively low levels of regional development generally, it seems likely that resource constraints and the particularly underdeveloped state of peripheral regions are going to ensure that considerable selectivity will have to apply in practice. Chapter 10 on national regional policies and chapter 8 on ex-ante analysis examine these issues in greater depth.

9.1.5 Competition Policy

Context

Competition policy is covered by Chapter 6 of the *acquis* and it includes the relevant articles of the EC Treaty (as well as subsidiary legislation), namely: Article 31 (State monopolies of a commercial character), Articles 81-85 (Rules applicable to undertakings); Article 86 (Public undertakings and undertakings with special or exclusive rights) and Articles 87-89 (Rules applicable to State aid). Furthermore, mergers are monitored on the basis of the EC Merger Regulation 4064/89. In the field of State aid, part of the competition *acquis* is addressed under other chapters of the negotiations, e.g. transport, coal, agriculture and fisheries.

Competition policy has already had major impacts on economic practices in the acceding countries. Key areas of industrial policy, such as subsidies to important economic sectors, such as coal and steel, and the privatisation of state owned enterprises have been shaped by competition policy. Given the

[55] http://europa.eu.int/comm/enlargement/negotiations/chapters/chap21/index.htm

spatial concentration of these industrial sectors, substantial reductions in state subsidies or restructuring as a result of privatisation could have a significant impact on the local area. However, this is an indirect impact on territorial development.

Territorial Impacts/Benefits

From a territorial development perspective, the most explicit impact of Competition Policy comes via State Aid. The EC Treaty allows exceptions to the ban on state aid where the proposed aid schemes may have a beneficial impact in overall Union terms.[56] For instance, Article 87 of the EC Treaty allows aid designed to promote the economic development of underdeveloped areas (regarded as particularly backward in accordance with Community criteria). In relation to regional aid, the new Member States adopt regional aid maps, in line with EU regulations, and implemented necessary reforms to their national regional policies. However, there are a number of potential areas of 'conflict' between national regional policy and EU policy approaches. A number of the schemes currently on offer may have to be phased out, or be heavily modified, as they fail to comply with current State aid regulations. The European Commission has already judged a number of tax incentives schemes and 'special economic zones' in Poland to be 'harmful' to the EU internal market.[57] The issues surrounding regional aid programmes are considered in more detail in chapter 10 on national regional policies.

[56] http://europa.eu.int/comm/competition/state_aid/overview/
[57] Financial Times, (2003)

Table 9-5: Competition Policy and Territorial Development

	Impact of competition policy
Spatial cohesion	Support to lagging regions through State Aid programmes and instruments, e.g. grant aid.
Spatial competition	Policy aims to promote 'fair' competition.
Spatial integration	Aid schemes, indirectly, support the goals of spatial integration. Free movement of persons.

Potential Challenges/Issues

Looking to the future, the impact of enlargement on resources means that greater priority needs to be given to those measures that have the greatest impact on EU competition and trade.[58] In the post-2004 period, a substantial proportion of the new Member States' territories will be eligible for some form of regional aid. However, across an enlarged EU, regional aid available in many of the EU 15 countries can be expected to decrease following State Aid reform. In advance of any reform, the Commission has launched a review of its rules on regional aid for the period after December 2006.

9.1.6 R&D Policy

The EU supports R&D and Innovation through the Framework Programmes and SF. These policies are of crucial importance to the EU's development agenda of competitiveness, e.g. see the Lisbon Agenda. Science and research also forms a vital part of the *acquis*. A key priority for EU R&D policy is to promote networking and cooperation in the fields of science and technology through the European Research Area (see Figure 9-1). This is based on the recognition that centres of excellence are scattered across the continent and not necessarily linked.[59]

[58] Wishlade, F. (2003)
[59] http://europa.eu.int/comm/research/era/index_en.html

Figure 9-1: European Research Area: Key Policies and Instruments

Source: http://europa.eu.int/comm/research/era/index_en.html

Territorial Impacts/Benefits

The new Member States are diverse in terms of their research potential and the profile of R&D and innovation policy varies between the countries. However it is possible to highlight a number of common trends. For instance, R&D and innovation policy systems of the countries of Central and Eastern Europe (CEE) have so far been treated as marginal within the overall institutional transformations that are taking place in these nations. Further, in some countries, the transition of the innovation system is importantly linked with the privatisation of the former state-owned firms and their intra-mural R&D activities. Consequently, the acceding countries have a relatively low R&D investment in comparison to the EU average. Also the share of high-tech exports in total exports is generally very low in the Central East European Countries– far behind the EU average of 19.7 percent - reflecting their specialisation in other non-high tech sectors.[60]

Some countries, however, show a strong potential to produce and absorb scientific and technological knowledge which is reflected in high levels of human resources in Science and Technology. The case of Malta is notable in this respect. The share of high-tech in total exports is 64.4 percent, well above the EU average. Hungary and Estonia also achieve values just above the EU average, probably as a result of considerable foreign direct investment.[61] This suggests that some countries will be in a better position to integrate into EU R&D programmes. Table 9-6 highlights some potential

[60] CEC (2002c)
[61] op. cit.

territorial impacts of R&D policy and relevant elements of the *acquis,* though ESPON project 2.1.2 focuses on the territorial impact of EU research and development policy in much greater detail.

Table 9-6: R&D Policy and Territorial Development

	Impact of EU R&D policy
Spatial cohesion	Selective supports for R&D and innovation provided through SF to lagging regions. R&D and Innovation offering new opportunities for exploiting regional development potentials, or overcoming bottlenecks.
Balanced spatial competition	Development of high tech development zones in growth poles, cluster development, promotion of higher education-business links. R&D and Innovation have the potential to be less 'place' specific, i.e. they are less constrained by the availability of raw materials and transport costs.
Spatial integration	Cooperation between Member States, new Member States and the Candidate Countries, Competitiveness at an EU – level, through pursuing the Lisbon agenda.

Potential Issues/Challenges

In the future, one of the big challenges facing the acceding countries is a gradual switch from a 'low-road' to a 'high-road' strategy of competitiveness, which implies a greater emphasis on R&D and Innovation policy. Existing assessments of the impact of R&D policy[62] suggest that in the EU 15, Framework Programmes and the SF have supported the development of R&D and Innovation. However, levels of support from these sources have varied across regions. Looking to the future, it is likely that city regions, with greater concentrations of skilled workers, universities, high tech industry and FDI, will be in a better position to attract R&D and Innovation funding and activities. In many of the CEE heavy industrial regions, which also have high concentrations of skilled labour, universities and infrastructure provision, selective support to promote R&D and Innovation could be used to stimulate growth. It is also worth noting that EU's Framework Programmes constitute only around five percent of the overall public spending on R&D in Europe. The other 95 percent consists of national investments and programmes as well as the activities undertaken by other European organisations for research cooperation. Therefore, there is a need for more

[62] http://www.ecotec.com/expertise/eurd/

coordination, the aim being to make a reality out of what has been called the European Research Area and, thus improve spatial integration.[63]

9.1.7 Internal Market

Context

Various elements of the *acquis* support the internal market. The four cornerstones of the internal market, known as the 'four freedoms' make up the first four chapters of the *acquis*:

- Chapter 1: Free Movement of Goods: issues related to the adoption of the common regulatory framework to ensure products can move freely from one part of the Union to another.
- Chapter 2: Free Movement of Persons: mutual recognition of professional qualifications, citizen's rights, free movement of workers and coordination of social security schemes.
- Chapter 3: Freedom to Provide Services: minimum requirements for the different types of banking, insurance and investment services.
- Chapter 4 Free Movement of Capital: prohibition of all but a few restrictions on the movement of capital between Member States.

Table 9-7: Internal market and territorial development

	Internal market
Spatial Cohesion	New development opportunities and markets for regional economies.
Spatial Competition	Free market. CEE regions can compete with EU 15 for investment and business.
Spatial Integration	Freer movement of persons, (though still constrained).

Territorial Impacts/Benefits

Individually these elements of the *acquis* can be linked to specific territorial impacts, (see Table 9-7). For instance, legislation to ensure the free movement of workers could have particular consequences for patterns of migration, especially migration to major urban centres, see also ESPON project 1.1.4. Their combined impact on territorial development is even more substantial, particularly in the spheres of trade, FDI and migration.

[63] http://www.eu2002.dk/news/news_read.asp?iInformationID=25310

Potential Issues/Challenges

In advance of enlargement, market barriers between the EU 15 and the new Member States were already substantially reduced. As a result, the immediate trade effects of enlargement are not likely to be significant. However, there are predictions that accession will generate gains for EU 15 countries and that these gains are likely to be unevenly distributed.

Gains from EU enlargement are likely to benefit particular sectors over others. Within CEECs, sectors with a high R&D intensity which substituted for imports from the world market have already been negatively affected by the removal of trade barriers. EU exports in investment goods are expected to remain high as CEE industry undergo restructuring processes and businesses consequently 're-tool'.[64] EU business and financial services are also expected to retain a clear competitive advantage.[65] Over the medium- to longer-term, the adoption of the *acquis*, including standardisation, certification and product liability rules, will reduce transaction costs for trade in goods and services. It is also possible that the commodity composition of CEECs may shift. In the short-term, however, accession is expected to increase production costs in the CEECs at the same time as firms are facing increased competition from a fully integrated market. However, CEE regions are also in a position to become the lowest cost producers inside the EU in textiles, steel and bulk chemicals.[66]

Foreign capital flows into CEECs largely take the form of foreign direct investments. Cumulative net inflows of FDI into the CEE region amounted to 5o Bn $ between 1991 and 1997.[67] In terms of FDI, a similar re-alignment towards the EU has taken place as it was the case for trade flows. Experience from past enlargements demonstrates that accession to the EU can considerably increase capital inflows, at least for a transitional period. It has been predicted that capital flows to the CEE countries may double in the wake of accession and the inflow of portfolio capital will pick-up as the harmonisation of the regulation of financial markets gains momentum.

Geographical proximity seems to play an important role in determining bilateral trade and investment flows. The main investing countries of the EU are Germany, France, Austria and the Netherlands. These main investing countries account for approximately two thirds of all EU FDI stocks in the CEECs. The distribution of FDI is expected to continue to be uneven across CEECs and between regions in countries. FDI is likely to be heavily concentrated in the more advanced CEE countries. Further, accession may

[64] Mayhew, A. (1998)
[65] RWI/EPRC (2000)
[66] Rollo, J. (1998: 252-275)
[67] Boeri, T. and Brücker, H. et al. (2000)

even widen disparities according to some studies, CEECs which remain outside the EU will lose out as FDI diverts to the new member states.

Post enlargement migration flows from the east has been one of the most controversial accession issues amongst the EU 15, particularly regarding the potential impact on domestic labour markets. The wage differential between the CEECs and the EU Member States (much larger than in any previous enlargement round), the relative economic underdevelopment of the Candidate Countries, and the more highly integrated EU market have all led to fears of massive post-enlargement migration flows into the EU. A key component of current, as well as future post-enlargement, migration is its geographical concentration, primarily in the neighbouring countries of Germany and Austria. Of current CEE residents in the European Union, 73 percent of the working age population and 80 percent of the employees are found in these two countries.[68]

A number of studies, (e.g. OECD, 1998), conclude that, large-scale migration flows from east to west are not likely to occur and should not be overemphasised in the enlargement agenda. However, transition arrangements for the application of the free movement of persons are in place with a two year period, during which national immigration policy measures are still applied by EU 15 Member States to new Member States. Depending on how liberal these national measures are, they may result in full labour market access (UK and Ireland). Following this period, reviews will be held: one automatic review before the end of the second year and a further review at the request of the new Member States. The procedure includes a report by the Commission, but essentially leaves the decision on whether to apply the *acquis* up to the Member States. The transition period should come to an end after five years, but it may be prolonged for a further two years in those Member States where there are serious disturbances of the labour market or a threat of such disruption. Safeguards may be applied by Member States up to the end of the seventh year. The EU has not requested a transition period in relation to Malta and Cyprus.

9.1.8 Overview and Conclusion

Numerous accounts demonstrate that integration between the new Member States and the EU 15 increased in the lead-up to enlargement. EU enlargement, and the application of the *acquis*, can only strengthen these links. Overall, many elements of the *acquis* and Community Policy are in line with territorial and spatial development themes e.g. accessibility and connectivity, environmentally friendly and sustainable development. The

[68] Boeri, T. and Brücker, H. et al. (2000)

adoption of the *acquis*, therefore, has the potential to influence territorial development issues by addressing (directly or indirectly) regional potentials and bottlenecks, e.g. through the promotion of integrated Pan-European Transport and Telecommunication Networks, the development of structures for the implementation of future SF and the introduction of a more unified industrial policy.

It is also important to take into account the distinct national and regional contexts in which these developments are taking place. Country Analyses of the implementation of the *acquis*[69] consider the current and anticipated progress with adopting the *acquis,* with particular reference to the most territorially relevant *acquis* chapters. In light of national and regional variations, it is clear that the adoption of individual chapters of the *acquis* will be more/less demanding for some countries than others. Countries with a significant number of heavy industrial regions, for example, will be more directly affected by requirements of environmental regulation, sustainable development rules and competition laws. Equally, experiences across regions will vary according to their specific situation and development potentials (see also chapter 5 on potential analysis).

The above analysis demonstrates that many elements of the *acquis* and Community Policy are in line with territorial and spatial development themes. However, it is important to qualify this finding. First, much of the work involved in the adoption of the *acquis* involves highly technical changes to legislative and administrative structures, which make them of less direct relevance to spatial and territorial developments. Second, it is important to recognise the limitations of EU policy actions. In practice, the course of territorial development will be highly dependent on developments in the wider economic and political realms. Third, explicit links to territorial development goals are not necessarily clear. The territorial impact of the *acquis* and EU policies could be implicit, coincidental or even accidental. Fourth, policy may conflict with territorial goals or act to promote some developments over others. Finally, given the level of development disparities between the old and new Member States, changes to existing territorial development patterns can only be expected over the longer term.

[69] Country analyses are included in the 2nd Interim Report of ESPON project 2.2.2.

10 Comparative Analysis of National Instruments for a Territorial Policy

10.1 Introduction

The primary focus of this ESPON 2.2.2 report is the territorial impact of EU pre-accession funds. However, it is also important to take into account the regional policy context within which this funding is implemented. In all of the countries covered in this study (the ten new EU Member States, the two Candidate Countries and Switzerland and Norway) national regional policy measures exist to support disadvantaged regions, to develop key economic centres or to promote regional economic development in general. This chapter focuses on these policy measures and assesses their likely influence on key aspects of territorial development, as well as their relationship to EU funding programmes.

The following sections demonstrate, that national regional policy covers a wide variety of actions and is implemented for a range of reasons. The link between national regional policy, SF and territorial development is, therefore, also variable. The chapter proposes that in order to gain a more complete view, it is important not just to consider how one policy area should adapt to meet the requirements of another. Instead it is more useful to consider how policies and frameworks could influence, learn and adapt to one another. Consequently, for the purposes of this report, it is important not only to draw lessons for the reform of SF but also to consider how national policies and territorial development frameworks could work together with EU Cohesion policy to promote more balanced territorial development throughout Europe.

Following this introduction to the chapter and research methodology, subsection 2 provides a brief introduction to national regional policy. National regional policies commonly aim to promote regional and/or balanced territorial development. They incorporate a range of policy objectives, involve a variety of policy measures, differ in terms of area designation approaches and use distinct policy delivery systems. The chapter is structured around these core elements of policy: policy objectives (discussed in Subsection 3), policy instruments (Subsection 4), spatial targeting (Subsection 5) and policy implementation (Subsection 6). A final section draws together some conclusions and policy recommendations. Throughout the chapter, the aim is to consider the potential relationship between national regional policy, EU SF and territorial development objectives.

10.1.1 Territorial Development Goals and Regional Policy

Over the last decade, territorial development goals have gained increased attention. The adoption of the ESDP in 1999 marked a renewed interest in the territorial dimension as a framework for cohesion policies in the EU countries. However, the ESDP is not binding and represents a compromise between different policy traditions and the different aims of national governments and the European Commission.[70] The concepts and characteristics of 'territorial development' are not clear-cut and debates are still ongoing around the meaning of key terms.

It is important to note that none of the countries involved in this study was directly involved in the development of the ESDP. However, they are all engaged in broader debates around the issues of regional/spatial development. Debates arising out of the tensions which exist between pro-equalisation and pro-development agendas are on going. 'New' regional policies are "framed in terms of maximising the contribution of all regional economies to national growth" in a more competitive global environment.[71] In response, the policy emphasis is increasingly being placed on balanced development and economic competitiveness, whilst the previous commitment to 'cohesion' objectives and redistributive regional policy appears to be weakening. At the same time, this trend has drawn criticism. Lovering, for instance, suggests that the role of the central state as an employer and investor in regions is downplayed in new regional policy models. Instead, regional administrations are expected to increase 'regional competitiveness', which is regarded by Lovering as an over-simplified approach, one which neglects the potential consequences of increased competitiveness for regional labour forces and which acts as a means for national government to abdicate responsibility for addressing the problems of lagging regions.[72]

Debates about the appropriate balance between 'equity' and 'efficiency' have particular resonance in the Central East European Countries (CEECs). In the context of accession to the EU, the most important problem is not the differences which exist between regions but the comparatively low economic potential of *all* regions. At the same time, regional disparities within the CEECs remain severe, which implies the need for targeted government assistance. While the principle of encouraging regions *throughout* the country to develop their individual potential is logical, given comparatively low levels of regional development generally, it seems likely that resource

[70] Polverari, L. and Rooney, ML. with Bachtler, J., McMaster, I., Raines, P., Böhme, K. and Mariussen, A. (2001)
[71] Bachtler J. (2001)
[72] Lovering J. (1999)

constraints and the particularly underdeveloped state of peripheral regions are going to ensure that considerable selectivity will have to apply in practice.[73]

10.1.2 National Regional Policies and EU Funding Programmes

As well as considering the relationship of national regional policies to territorial development goals, this report also reviews the compatibility of national regional policies with European Union funding programmes. EU policy approaches are widely acknowledged to have exerted a strong influence on national policy approaches towards regional and spatial development, particularly in the new Member States and Candidate Countries. The prospect of EU accession gives the Commission considerable leverage over aspiring members. The publication of Regular Reports and Accession Partnerships exerts pressure by assessing applicants' adoption of the *acquis communautaire* and sets out short- and medium-term objectives for future reform. Meeting the demands of the *acquis* and preparing a suitable system for the administration of reoriented EU funds required major institutional and administrative reforms in the new Member States and Candidate Countries. At the end of the 1990s, a series of national legislative reforms set out new frameworks for regional policy, bringing national approaches into line with EU requirements. In addition, regional assistance programmes and policy instruments have been developed to accord with EU competition policy regulations. National efforts to meet accession requirements have been supported by pre-accession aid programmes, which are another key mechanism through which the EU has shaped regional policy approaches in the Candidate Countries and new Member States. Many of these developments are linked to the requirements of EU Structural and pre-accession aid, from which the majority of these countries will benefit.

Similar to national regional policy, the SF are not necessarily designed to take territorial cohesion into account. However, a number of reports have examined the relationships and linkages between the Funds and territorial development, including two reports on the Spatial and Urban Dimensions of the 2000-06 Objective 1 and 2 Programmes and ESPON project 2.2.1.[74] These reports conclude that, while Structural Fund programmes have not been set out to incorporate territorial development goals, there is "an important *implicit* response of the programmes to the guidelines and aims

[73] Bachtler, J. and Downes, R. (2001)

[74] Rooney, ML. and Polverari, L. with McMaster, I., Michie, R., Raines, P. and Taylor, S. (2001); Polverari, L. and Rooney, ML. with Bachtler, J., McMaster, I., Raines, P., Böhme, K. and Mariussen, A. (2001); Polverari, L. and Bachtler, J. (Forthcoming)

of, for example, the ESDP".[75] The ESPON project 2.2.1, Work Package 2, puts forward a similar interpretation.[76]

The potential for the SF to complement and work towards territorial development objectives suggests that, in as far as it complements or mirrors particular aspects of Structural Fund policy, national regional policy may also indirectly impact upon the achievement of territorial development goals. At the same time, when considering national regional policy, it is important to note that EU policy approaches have neither had a complete, nor uniform, influence. The impact of EU regional policy is modified by the specific features of national policy systems, not least the existing distribution of competences between national and sub-national levels.[77] In the new Member States and Candidate Countries, reconciling the practices of existing domestic regional institutional systems with the principles of SF management is particularly challenging. The emphasis on the partnership principle, the need for clarity in the allocation of responsibilities and the preference for integrated approaches based on inter-institutional coordination and cooperation have all made the adaptation process difficult, especially given the often severe time pressures faced. Generally, in the CEECs, there is a lack of a tradition of partnership working between administrative levels. Hierarchical systems have dominated and institutional inertia means that, even where sustained efforts have been made, change can be slow. Efforts to develop 'network-like' cooperation and partnership can be impeded by embedded norms amongst institutions and actors**.** All of the many different directions of co-operation and communication are potentially weak, including between the national and sub-national levels and amongst organisations within each tier. Institutions are accustomed to defending their own sphere of responsibility; submitting competences, information or resources to a new, coordinated regional policy framework is a very new departure. Of particular consequence for regional policy is the weak coordination between regional and central/sectoral authorities[78]

10.1.3 Country and Policy Coverage

As a 'comparative analysis of national instruments for a territorial policy', this study had the potential to cover an extremely large number and wide range of policies. This problem is exacerbated by the diverse range of countries to be covered, making broad generalisations difficult. The fourteen countries include West European, non-EU Members (Switzerland and

[75] Polverari, L. and Rooney, ML. with Bachtler, J., McMaster, I., Raines, P., Böhme, K. and Mariussen, A. (2001)
[76] Polverari, L. (2004: 69-70)
[77] Jeffrey, C. (1997); Börzel, T. (1999)
[78] McMaster I and Ferry M (2003) and Blažek J (1999)

Norway), the ten new Member States, of which two are island economies (Malta and Cyprus) and eight East European Countries as well as East European Candidate Countries (Romania and Bulgaria).

As previously stated, the main focus of this chapter is national regional policy. However, virtually all functions performed by government that involve public expenditure have the potential to have an effect on regional balance and support for incomes in less prosperous regions.[79] Table 10-1 provides a summary of key policy areas with the potential to have significant spatial/territorial development impacts, particularly in relation to cohesion at the national and EU level. Key policy objectives, policy instruments and policy impacts are highlighted, using selected examples from the countries covered in the report. Rather than providing an exhaustive account, the objective here is to give an indication of the types of policies that are in place and how they relate to territorial development goals.

Table 10-1: Typology of Key Policies with Territorial Impacts

Policy	Development context	Policy type	Potential territorial impact
Urban policy	Due to their population and economic performance alone, cities are a major factor influencing national development. At the same time, many of the economic and social development problems faced by governments are also focused in conurbations.	The particular concentration of development potentials and bottlenecks within urban areas has spawned numerous policies that specifically target cities, e.g. urban regeneration strategies, brown field development, city plans, infrastructure development and housing policy. Czech Republic - Metropolitan Economic Strategies to generate viable uses for redeveloped brownfield sites that contribute to job creation, business investment, and income growth.[80]	• Development of growth poles • Contribution towards polycentric spatial development • Spatial Integration – improved linkages between urban centres and peripheries, trans-national networking • Balanced spatial competition – removal of barriers and bottlenecks to development

[79] European Commission (2004b: 81)
[80] http://www.pragueinstitute.org/pro_brownfields.htm

Policy	Development context	Policy type	Potential territorial impact
Rural policy	Rural-Urban disparities, rural poverty and the specific development needs of rural economic development are the focus of a wide range of policy initiatives. Most notably, the Central and Eastern European have been going through a severe agricultural depression since their centrally planned economies collapsed in the early 1990s. On the other hand, CEECs still retain a significant proportion of Europe's biodiversity. The existing low input and low intensity agriculture practised in these countries can be perceived in certain respects as an opportunity for environmental sustainability in the agricultural sector.[81]	Rural economic diversification, rural infrastructure and service provision, agro-tourism, support/grants to formers, rural development strategies Hungary - Rural Development is targeted for rural economic development and reduction of social disparities – key policy areas include: agricultural modernisation; diversification of the rural economy; infrastructure development and human resource development.[82] Latvia - Rural Development Programme: promotion of dynamic development of rural economy.	• Promotion of balanced development • Improved spatial integration - rural urban linkages • Balanced spatial competition - development of rural potentials through rural economic diversification • Spatial Cohesion – through aiming to reduce social and economic disparities

[81] http://www.ncl.ac.uk/cre/publications/working_papers/wp60.htm
[82] Kovács T. (2001)

Environment policy	Environmental policy has important implications for sustainable development, the balance of social cohesion and sustainability with competitiveness and the markets; conservation of the rich territorial variety of Europe, contribution to local and global climate change control.[83] Many of the countries covered in the this study have specific environmental development needs, e.g. addressing the needs of mountainous areas, coastal areas, heavily polluted regions.	Development assistance to protected areas, investment in 'environmentally-friendly' technology and practices, establishment of nature reserves, redevelopment of environmentally damaged regions Czech Republic - designation of 'afflicted areas' which have suffered considerable environmental damage Romania - Protection of the Danube Delta region[84]	• Targeted assistance to promote the preservation of the natural and cultural heritage • Development assistance to, frequently, rural, remote, or peripheral regions. • Promotion of regional competitiveness by 'harnessing' the quality of the natural environment as a resource.
R&D Innovation	The profile of R&D and innovation policy varies between the countries covered in this study. For instance, unlike Switzerland and Norway, R&D and innovation policy systems of the countries of Central and Eastern Europe (CEE) have so far been treated as marginal within the overall institutional transformations that are taking place in these nations. However, one of the big challenges facing Candidate Countries is a gradual switch from 'low-road' to a 'high-road' strategy of competitiveness, which implies a greater emphasis on R&D and Innovation policy.	Poland - Silesian Regional Innovation Strategy project in collaboration with Nord-Pas de Calais (France) and Limburg (Belgium). The project will establish a process of structured cooperation between Silesia's principal innovation actors, in order to develop a practical regional innovation strategy focusing on sectors critical for successful economic restructuring, and to improve the flow of information between SMEs, business support suppliers and policy-makers. The project also hopes to stimulate direct cooperation between Silesia's SMEs and those of its western partner regions.[85]	• Targeted assistance to high potential or assisted areas • Balanced spatial competition • Spatial cohesion • Spatial integration

[83] European Consultative Forum on the Environment and Sustainable Development (1999)
[84] Carter, F.W. and Turnock, D. (1993)
[85] http://www.innovating-regions.org/download/IREnetwork_press_release.pdf

Transport & communication transport & communication	Policies, institutions and investments to support an appropriate modal mix, will be required as an important basis for improved competitiveness, economic growth and environmental benefits.	Major investments in transport infrastructure, including motorways and rail networks, and telecommunications infrastructure. Hungary - 'Resolution on the Hungarian Transport Policy` (1996), defines the detailed objectives and instruments on a strategic level until 2000 and 2010, respectively.[86] Lithuania - Priorities of transport infrastructure development are mainly directed to the reconstruction and modernisation of those transport infrastructure, which coincide with the components of the transport network within the TINA concept. About 2/3 of all transport infrastructure investments currently are allotted and in the future will be allocated to Lithuania's TINA network.[87]	• Targeted investments to tackle regional development bottlenecks • Interventions to promote spatial integration at national or EU level, e.g. through investment in TENs and cross-border links • Rural Urban linkages • Promotion of regional competitiveness

[86] http://www1.oecd.org/cem/topics/ceec/ceecdoc.htm
[87] http://www1.oecd.org/cem/topics/ceec/ceecdoc.htm

Industrial restructuring	Geographic concentrations of heavy industry, e.g. coal and steel production mean policies aimed at industrial restructuring are likely to have a pronounce impact on particular regional and local economies, linked to high unemployment and plant closures. Industrial privatisation and restructuring are on going processes in the CEECs.	Privatisation Coal and Steel Restructuring Programmes	• Pronounced impact on heavy industrial regions, which tend to be spatially concentrated • Part of long-term strategies to promote economic competitiveness, but also accompanied by job losses and plant closures • Spatial integration - sales to foreign investors and the promotion of international trade is capable of promoting trans-national integration • Aim to tackle substantial bottlenecks for national and regional development
Regional development	National government policies that aim to promote regional and/or balanced spatial development can be employed for a wide variety of reasons, in diverse conditions, in a range of ways through various means. Regional development policy is now operating in a context that is heavily influenced by EU policy structures, an emphasis on regional and national competitiveness and endogenous development. Regional policy in Central and Eastern Europe has had to face the additional challenge of pronounced increases in interregional disparities.	Traditionally regional policies were implemented to tackle underdevelopment and depopulation in rural areas and geographically concentrated unemployment. More recently, a new regional and local dimension to economic development policy is apparent. Regional policy thinking is also shifting to the promotion of endogenous regional or local development, with an emphasis on entrepreneurship, innovation, business networks, SMEs and local development potentials. The policy response has been a new type of regional policy concerned with the strategic management of development.	• Spatial targeting of policy instruments • Policy objectives and instruments targeting endogenous development of all regions • Policy objectives and instruments targeting lagging regions in order to promote balanced development

Spatial planning	Spatial development planning is increasingly linked to the need for integrated development in the regions, at the national and EU level. Spatial Planning has an important role to play in promoting spatial integration, balanced territorial development and spatial competition spatial. Both the East-expansion of Europe has brought up the need to cope with spatial development planning issues on European scale.[88]	Malta - Structure Plan provides a strategic framework for spatial development in Malta and Gozo and sets down industrial, residential and rural policies and also includes policies in relation to tourism development, heritage protection, social and community facilities and transport infrastructure. New Structure Plans will draw upon the European Spatial Development Perspective and take account of the fundamental role of European policy.[89] Poland - Concept of National Spatial Arrangement Policy (Koncepcja Polityki Przestrzennego Zagospodarowania Kraju). This spatial development plan acts as framework for preparing government programmes and stresses the need to counter the "clear division between a relatively underdeveloped eastern part and a more developed western part of the country".[90]	• Aim to promote balanced development • Spatial plans and instruments to promote integration of policy measures and objectives • References to the ESDP goals • Balanced spatial competition

Source: European Policies Research Centre, University of Strathclyde

Having characterised national policies affecting territorial development in broad terms, this chapter now considers the particular case of national regional policy. This more narrow focus allows a more detailed and insightful analysis to be made of the interrelationships between national territorial policy, EU policy and territorial development goals than would otherwise be possible. The focus on national regional policy is appropriate for a number of reasons. First, regional policy incorporates elements of all the policy areas outlined in Table 1 as relevant to territorial development, thus allowing the conclusions of this study to have a wider application. Second, national

[88] http://www.raumplanung.uni-dortmund.de/rgl/euro_inh.htm
[89] http://www.mic.org.mt/Malta-EU/position_papers/chap_21.htm
[90] Monitor Polski (2001)

regional policy and EU regional policy are already strongly linked, e.g. through EU and national co-financing of development projects; through the influence of Structural Fund management on national regional policy approaches via pre-accession aid for regional development in the Candidate Countries and preparations for EU enlargement as well as through SF in the new Member States. Third, regional policies have the potential to address a wide range of territorial development themes and issues, as the remainder of this report will discuss.

10.2 National Regional Policy[91]

Compared to the current Member States, the recent history of regional policy in the CEECs has occurred within a very different macro-economic, political and social environment.[92] Regional policy in the CEECs is not, of course, a totally new phenomenon. Spatial planning within a sectoral framework was carried out during the socialist period, and regional policy actions along western European lines was undertaken (to a limited extent) in some countries with a more liberal economic approach e.g. Hungary and Slovenia. There is also a long and rich intellectual tradition of debate and research on regional development in CEE. In some ways, therefore, current trends have to be seen as part of a longer-term history of regional development in CEE, albeit affected considerably by fundamental political, economic and institutional systemic changes.[93]

However, in the immediate post 1990 period, market-economy-based regional policies were initially slow to develop in the ten CEE applicant countries; instead, priority was given to political and macro-economic reforms at a time of scarce resources and in the face of national economic crisis. There was also a time lag in the emergence of the territorial impact of reform, a lack of requisite institutional capacity and unresolved issues of territorial administrative reform. In contrast, more recently, regional policy has been the focus of much greater attention. Increasing regional disparities (see ESPON 2.2.2, Second Interim Report) and the requirements of EU accession have moved regional policy up the political agenda in Central and Eastern Europe. Regional policies, in some form, are now in operation in each of the new Member States and Candidate Countries, relevant institutions are being created at national and regional levels and a range of policy instruments are in place.

[91] This section is drawn from: Bachtler, J. and Yuill, D. (2001) and McMaster, I. and Yuill, D. (2001)
[92] Bachtler, J., Downes, R. and Gorzelak, G. (2000) and Bachtler J and Downes R (1999)
[93] Yuill, D. and McMaster, I. (2001)

In Switzerland, Norway, Cyprus and Malta, the rationale for regional policy is most closely associated with their geographical – rather than their industrial – characteristics. For instance, in Norway, mountainous terrain and severe weather have resulted in sparse settlement patterns, economic vulnerability for many communities, outmigration and unbalanced development between the peripheral and the core regions of the country. Consequently, Norwegian policy is constantly aiming to maintain communities and encouraging development in the northern parts of the country while reducing the danger of overheating in the southern, more prosperous and populated regions, particularly the Oslo area. In the case of Cyprus and Malta, their small size means that 'regional' development policy is not a policy priority. However, even in Malta, the Government has recognised the need to decentralise certain development actions to the local level in order to ensure that local needs and expectations are properly addressed. The Ministry for Gozo has regional coordination responsibilities for Government programmes and projects on the island. The government will support the implementation of locally based integration action plans which focus on coordinating activities that target local needs and provide support and linkages across a range of policy areas.[94]

10.2.1 Regional Policy Objectives

In the course of the mid- to late 1990s, a number of major regional policy documents, strategies and concepts were adopted in the countries covered in this study, particularly in the Candidate Countries and new Member States in advance of EU enlargement. In this group of countries, new policy legislation and associated policy objectives were developed in line with the demands of EU enlargement, specifically the requirements of Chapter 21 of the *acquis* and of Structural Fund implementation. Indeed, a number of national policies and objectives intentionally mirrored those of the SF. In Latvia, for instance, the integration of EU and national regional policy was one of the key objectives listed in the 1996 Concept of Regional Development Policy. The Slovak Act on Support of Regional Development similarly takes into account the basic principles of economic and social cohesion of the European Union, i.e. the principles of programming, partnership, concentration and complementarity. Even in Switzerland and Norway, non-Member States, the EU has had a direct impact on the thinking behind regional policy. In particular, through the EEA Agreement, Norway is directly affected by EU State Aid Guidelines.[95]

[94] http://www.ndp.gov.mt/sectoral.html

[95] More than this, Norway is also making a significant contribution towards meeting the costs associated with EU enlargement. For more details, see

Frequently, national regional policy objectives are broad and they are rarely very specific. A number of commonly stated goals include: balanced, sustainable development; improvement of quality of life and equalising opportunities of citizens; increased competitiveness of regions; and reducing regional disparities in levels of development, especially in rural areas. Overall, the objectives set out correspond to the broad territorial development objectives. As Table 10-2 shows, the themes of spatial cohesion and spatial competition are reflected in the regional policy objectives of a large number of the countries under review.[96]

Table 10-2: Regional Policy Objectives and Territorial Development Goals

	Country
Spatial cohesion (equity)	Bulgaria, Cyprus, Czech Republic, Hungary Estonia, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia, Norway
Balanced spatial competition (efficiency)	Bulgaria, Czech Republic, Estonia, Hungary, Lithuania, Poland, Slovenia, Switzerland, Norway
Spatial integration	Bulgaria, Latvia, Romania, Switzerland, Poland

The general objective of spatial cohesion at the national level is incorporated through the inclusion of objectives aimed at, for example, reducing regional disparities in employment and income (Bulgaria), reducing differences between the levels of development of different regions (Czech Republic) and the control of significant differences in levels of development between the capital and the rest of the country, towns and villages, and developed and underdeveloped regions (Hungary).

'Equity' objectives are commonly set out alongside 'efficiency' oriented goals and aims. For instance, the majority of countries incorporate the objective of sustainable development of regions – in many cases across the country as a whole – while also aiming to reduce economic disparities and equalise opportunities. In Norway, alongside a long standing commitment to support peripheral regions, government policy also advocates greater emphasis on regions and centres with particular growth potential.[97] In the CEECs, the problem of implementing a regional development policy in the context of national economies which themselves are underdeveloped relative to the EU,

http://secretariat.efta.int/WEB/EuropeanEconomicArea/EEAAgreement/eeaenlargementagreement

[96] See Annex table 19-16 for a summary of regional policy objectives per country.

[97] http://www.odin.dep.no/krd/norsk/distrikts/016061-990106/index-dok000-b-n-a.html

creates a tension between national prosperity and regional disparity. For instance, the objectives of Lithuanian national regional policy include support to the development of a market economy in each region, which implies assistance even to the most prosperous regions with the greatest development potential. At the same time, policy also aims to reduce disparities between the Lithuanian regions. The Czech "Principles of Regional Policy" state that the overall objective of regional policy should be to 'give an equal chance to all regions to allow them to make full use of their democratic, natural, economic and any other potential'. An emphasis on the construction and modernisation of infrastructure to strengthen the competitiveness of Polish regions, implies a similar commitment to the principle of spatial competition. Of particular note is Slovenia, which also makes specific references to the objectives of 'polycentric development' and sets out 'principles' of balanced development. The majority of the objectives set out under national regional policy focus on regional and national development, as opposed to referring to the national position within the EU as a whole. As a result, the objective of spatial integration at the EU level is less widely referred to. Whilst explicit references to the objectives of spatial integration at the EU level are limited in the policy objectives of the CEECs, the objective of 'catching up' with the rest of the EU, and thus promoting cohesion, spatial competition and integration at the EU level, is widely implied.[98]

As well as common policy challenges and objectives, national regional policies also reflect the particular territorial development challenges faced by individual or groups of countries. For instance, a number of regional development concepts highlight specific practical tasks or development issues. Regional policy objectives in Norway, Switzerland, Cyprus and Malta are strongly linked to geographical conditions in these countries, including peripheral areas, mountainous regions and islands. In Norway, core aims of regional policy are to maintain rural and northern communities and encourage development in the north of the country, whilst reducing the danger of overheating in the south. In Slovenia and Estonia, long-standing problems linked to rural development are targeted. In Slovenia, regional policy has traditionally targeted 'demographically endangered areas' in an attempt to halt out-migration and the depopulation of highland and peripheral areas. In their regional development guidelines, Lithuania and Estonia highlight the need to develop infrastructure and improve levels of connectivity between regions. In particular, Estonia's Regional Development

[98] It is worth noting that National Development Plans, which are used in conjunction with the Structural Funds, make more frequent references to the goal of 'catching-up' with the EU 15.

Strategy refers to the importance of increasing mobility and access to rural and island areas of the country. Variations in regional policy objectives suggest that, as well as being subject to external policy pressures and influences, national regional policy is also rooted in specific national territorial development conditions.

The above analysis appears to suggest a strong coherence between national regional policies, EU regional development policy and territorial development objectives. However, a number of points should be made to qualify these findings. First, national regional policies are not obliged to take territorial development goals into account or to shadow Structural Fund programmes. Consequently, the degree of correspondence between national policy objectives and the wider policy context should not be considered as either validating or undermining the legitimacy of a policy. This is most obviously the case in Switzerland and Norway, which are not EU Member States.

Second, national governments may define 'national regional policy' differently. Some may choose to set out broad, national regional development objectives within their policy documents which integrate spatial development agendas; this is likely to allow for a greater level of coherence with the territorial development goals set out in this report. However, others may choose to adopt a more focused approach to regional development, e.g. covering support to lagging regions, while broader objectives are addressed either in National Development Plans or in dedicated, spatial development strategies (Slovakia).

Third, particularly in the CEECs, links between national policy goals and territorial development objectives may be more apparent on paper than they are in practice. Market-oriented national regional policy is still at a relatively early stage in its development. Regional policy was not a major government priority in the early post-socialist period, when efforts were focused on macro-economic and political reform. In the majority of cases, national regional policies were not adopted until the mid- to late 1990s and are weakly resourced, which limits the opportunity to make any substantive impact on territorial or regional development. Further, policy implementation has frequently been delayed by lack of resources, inter-ministerial disputes and the lack of appropriate institutional frameworks (see Section 6). For instance in Bulgaria, despite the adoption of broad regional policy objectives, regional development policy was neglected for much of the 1990s. The plans and strategies that emerged during this period did not receive institutional or financial support from the government. Municipalities, suffering from the lack of experience and resources, were to a large extent not involved in the formulation and implementation of regional initiatives.

Fourth, in the majority of cases, national regional policy objectives address an extremely broad and general range of policy goals, which may undermine the relevance of the policy and weaken its impact. In a number of cases regional policy objectives are relatively ambiguous, e.g. 'reduction of differences in the levels of economic development' (Slovakia) or 'the reduction of existing regional disparities' (Romania). These types of policy objectives have the potential to mean either a lot or very little. Generally, policy objectives do not detail specific targets, so a 'reduction' in disparities could be anything from a substantial change to a slight narrowing of developmental gaps in specific areas of activity. Related to the generality of regional policy, national regional policies are also commonly vague on the issue of resources, concrete tasks and competencies. Resulting difficulties in agreeing and operationalising national regional policy have delayed and hampered government efforts to meet policy objectives. Further, such a broad range of activity is covered that regional development resources are often considered to be spread too thinly.

Finally, external pressure may skew national regional policy objectives to meet EU requirements. The combined pressures of EU accession and arrangements for EU funding have exerted a considerable influence on the direction and profile of national regional policy in the new Member States and Candidate Countries. A number of CEECs did have relatively well-established regional policies in place at an early stage, e.g. Hungary. However, without the external influence of the EU, others may have chosen a different path of policy development. For instance, the small size of some of the new Member States may limit the perceived relevance of regional policy. In addition, some countries may have chosen to devote already limited resources to national economic development, as opposed to lagging regions. A lack of national 'ownership' of and commitment to national regional policy may limit its longer-term impact.

10.2.2 Policy Instruments

Regional policy comprises of a range of instruments. The most widely utilised are:

- regional incentives (investment related support to firms)
- support for the business environment (framework measures)
- infrastructure provision
- planning instruments/development of regional strategies[99]

[99] Yuill, D. and McMaster, I. (2001)

Table 10-3: Policy Instruments and Territorial Goals

	Policy instrument
Spatial cohesion (equity)	regional incentives – support for lagging regions support for the business environment – innovation and competitiveness for lagging regions infrastructure provision – improved connectivity for lagging, peripheral, or rural regions planning instruments/development of regional strategies – integrated programme of support measures for target regions
Balanced spatial competition (efficiency)	support for the business environment – support for all regions to promote development and competitiveness support for the business environment – support measures for growth poles infrastructure provision – improved connectivity between urban centres planning instruments/development of regional strategies – regional development strategies for all regions to promote endogenous development
Spatial integration	infrastructure provision – improved cross border linkages planning instruments /development of regional strategies – incorporation of cross border development objectives

As Table 10-3 shows, national regional policy instruments can be complementary to territorial development goals and objectives. This is very obviously the case with respect to the development of regional strategies. In addition, support for business development and infrastructure provision in lagging regions can help to promote more balanced development. Efficiency objectives can also be addressed through the development of strategies to promote competitiveness in all regions and through support for the development of infrastructure which links key growth poles.[100]

The types of policy instruments listed are used to varying extents in different countries. In the majority of the CEECs, regional incentives form a core component of regional policy. Bulgaria, the Czech Republic, Latvia,

[100] See Annex table 19-17 for a summary on national instruments for regional policy per country.

Lithuania, Romania, Slovakia and Slovenia all have, or propose, systems of regional incentives for private-sector firms. However, the specific types of incentive offered vary and are applied in various combinations. Amongst the available types of financial incentive are: soft loans, grants, guarantees for bank loans, credit incentives, depreciation allowances and subsidies. Where financial incentives are in place they are applied in one of two main ways, which differ in terms of the emphasis placed on equity or efficiency goals. First, the level of financial incentive granted can be regionally differentiated. For instance, in Estonia regionally differentiated credits are available. In the Czech case, standard economic and financial instruments are applied with greater intensity in certain areas or are regionally differentiated (efficiency). Second, particular financial incentives are targeted solely at designated areas. For instance, in Latvia the Regional Development Fund provides financial support for SMEs in 'disadvantaged areas' (equity).

Another form of regional policy instrument implemented in a number of countries consists of framework measures to improve business conditions in problem regions. As already mentioned, this form of assistance can include the provision of physical infrastructure, together with softer measures. Specific national policies and the types of measure employed vary between countries. For example, indirect action to promote framework measures is proposed in Bulgaria. One of the aims of national regional policy is to expand the capacity of local governments and authorities to promote development. More specific actions to improve the business environment include: business promotion centres operating at the county level (Estonia); support for business services, including incubator units and business parks (Hungary) and future measures to improve local and regional infrastructure and enhance access to vocational training (Romania). These types of measure are applied either to single regions (in the interests of boosting the development of lagging regions) or across all regions (to promote endogenous development). Frequently, the use of such instruments reflects a shift towards support for regional competitiveness through enhancing endogenous innovation capacity (e.g. in Estonia and Norway).

A lack of appropriate infrastructure, e.g. transport infrastructure and telecommunication networks, is also seen as a key area of economic weakness in many CEE regions. Switzerland and Norway also face particular physical barriers to the provision of balanced infrastructure networks. However, specific regional policy measures to develop infrastructure are not clearly expressed in many countries. Most often, only very general references are made to infrastructure development in national policy documents, e.g. national regional development strategies or national development plans. For instance, in their regional development guidelines,

Lithuania and Estonia highlight the need to develop infrastructure and improve levels of connectivity. The current NDPs of Bulgaria, Latvia, and Slovakia also all have infrastructure development as one of their main programming objectives. However, these plans are more closely related to EU development programmes than national regional policy; as such, they have the potential to offer greater financial resources and support for large-scale infrastructure developments.

Combinations of national plans, national regional development strategies, regional development strategies and district plans are either in operation, or are being developed in each of the countries covered in this study. For instance, regional development policy in Poland is increasingly perceived from a strategic, long- or medium-term reform perspective, rather than as a series of one-time annual initiatives. The country has developed a National Strategy for Regional Development, which forms the basis of regional policy. Similar roles are fulfilled by Bulgaria's National Programme for Regional Development, the Estonian Regional Development Strategy and the National Regional Development Concept in Hungary. In Cyprus, the Town and Country Planning Law provides four main instruments for formulating, monitoring and implementing urban and regional planning, namely the Island Plan, Local Plans, Area Schemes and the Statement of Policy for the Countryside. A national, Strategic Development Plan (1999-2003) is the basis for the development of more local action plans. All of these plans offer the potential to deliver more integrated, coherent policy instruments. When developed by, or in consultation with the regions, they also have the potential to address the specific development needs of individual regions, taking into account their development potentials and bottlenecks.

The influence of EU approaches to programming and integrated regional policy actions means that national regional policy in the new Member States and the Candidate Countries has become increasingly compatible with the SF and pre-accession aids. In fact, in a number of countries, national regional policy feeds directly into EU regional policy and visa versa. For example, in the Czech Republic, regional development strategies, which relate to national regional policy, were used as the basis for inputs into the Joint Regional Operational Programme, which will be utilised for the disbursement of SF. On the other hand, EU SF may be used, in order to resource national policy instruments, e.g. through co-financing arrangements.

Whilst there are a number of useful parallels between national regional policy, EU Funds and territorial development, it should also be noted that national regional policy instruments may also conflict with EU policy instruments and territorial development goals. For instance, there are a number of potential areas of 'conflict' between national regional policy and

EU policy approaches. A number of the schemes currently on offer may have to be phased out, or be heavily modified, as they fail to comply with current State aid regulations. The European Commission has already judged a number of tax incentives schemes and 'special economic zones' in Poland to be 'harmful' to the EU internal market.[101]

In addition, the regulations governing national policy instruments and EU programmes frequently differ. They are based on different timescales, are targeted differently and involve separate implementation frameworks. Uncoordinated national and EU regional policy could run the risk of a duplication of efforts. Alternatively, variable approaches could mean that regions could suffer from over exposure to uncoordinated policy measures. It is even the case that national regional policy instruments themselves may clash, or at least fail to support one another. In Hungary, the poor co-ordination of resources has been a significant factor constraining the practical impact of a number of schemes. In order to implement a project, applicants often have to receive funds from a variety of sources; lack of funds from one source of support can jeopardise the implementation of the whole project.[102]

Lack of funding for policy instruments is an obvious constraint on the extent to which they may impact positively on territorial development. Limited absorption capacity for both EU funds and national regional policy is another. In the lead up to EU enlargement, concerns have been raised in relation to the ability of the new Member States to appropriately use all the money available to them. Similar concerns have been expressed about national regional policy instruments. In Hungary, considerable sums linked to regional policy support cannot be utilised in practice and remain in the budget each year. In other cases, awareness of national regional policy instruments is not necessarily high and regional policy instruments are not used to their best effect or do not reach suitable end-beneficiaries. In conditions where there are limitations to both national regional policy resources and the capacity to use those resources, involvement in EU programmes adds an additional level of complexity. Moreover, EU co-financing commitments has the potential to divert scarce regional policy resources away from the national policy instruments, which were established by national governments in repose to local, regional and national pressures.

[101] Financial Times, (2003)

[102] Recognition of this problem has led to efforts to achieve better coordination between sectoral budgets, which could have an important impact on regional economic development. For instance, Hungary's Integrated Regional Programme (IRP) provides financial resources for infrastructure and social investments and comprises around 20 percent of the 'expenditures for development' envelope of the state budget.

Alternatively, national resources could be more usefully diverted to co-financing.

The preceding points suggest that the relationship between EU funding approaches and national policy instruments are not necessarily clear-cut and complementary. For a number of reasons, the same can be said for the link between national policy instruments and territorial objectives and goals. First, the scale of regional disparities, especially in the CEECs, is immense relative to the resources allocated to regional policy instruments. Consequently, the actual impact of policy may not have a pronounced impact on territorial development. In Poland, in the early 1990s, the lack of public funds was a limiting factor for regional development support by the State, to such an extent that it was little more than a 'token' policy. In fact, in a number of countries policy 'instruments' still have no resources attached, e.g. regional development strategies in the Czech Republic.[103]

With the exception of framework measures and regional development strategies, policy instruments are often narrowly focused. They do not directly aim at 'mobilising regional potentials and bottlenecks' but instead offer, for example, tax incentives to mobile capital. There are also broad elements of territorial development that are not commonly targeted by national policy instruments, e.g. cross-border cooperation. The sectoral emphasis of a large number of policy instruments and lack of regional input also appears to undermine the sensitivity of policy instruments to specific, regional potentials and bottlenecks. In the CEECs, 'reactive' policies remain in place. These are, frequently, uncoordinated measures developed by central ministries for areas with particularly serious economic problems. In these cases, isolated policy instruments are simply used as a way for governments to be seen as 'doing something', as opposed to programmes of support developed in consultation with regions, and in response to their perceived needs. For instance, in Hungary, the lack of approved regional development programmes and the availability of only short term funding means that the support available does not always fit the real problems of the regions – and this despite the availability of regional development funding. In the longer term, a challenge for the new Member States and the Candidate Countries is implementing a switch from short-term 'low-road' to longer-term, coherent 'high-road' strategies of competitiveness. For example, the current emphasis of state policy for inward investors could refocus from traditional investment incentives. For example, 'after care programmes', supporting companies that have already invested in a target

[103] A notable exception is Hungary: The growth in the amount of regional development resources is considerable, Hungary spends 0.42% of its GDP on regional development purposes.

region, could help to maximise the positive effects of existing foreign investments. Support could be provided for companies aimed at improving their structure towards industrial branches with higher added value and with more sophisticated production requiring high-quality human capital.

10.2.3 Spatial Targeting

In each country some form of area designation procedure has been used either to identify the eligibility of areas for support programmes or to determine financial allocations to regions. The main territorial development objective to be addressed through the targeting of regional support is spatial cohesion. Designation of structurally weak regions, economically lagging areas or regions with particular physical characteristics (e.g. mountainous, island or peripheral areas) reflects a clear emphasis on reducing social and economic disparities between regions (see Table 10-4).[104]

Table 10-4: Spatial Targeting

	Spatial targeting
Spatial cohesion (equity)	Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia
Spatial competition (efficiency)	Bulgaria (growth districts), Hungary, Latvia
Spatial integration	

Formal area designations reflecting the territorial objectives of spatial competition and spatial integration are less common, though there is an emerging emphasis on wider territorial development policies. According to the National Strategy for Regional Development of Poland, 'the aims of the state's regional development policy are formulated from an all-Poland perspective'. This is, in part, based on the recognition that the main challenge for regional policy is development in *all* regions. In Hungary, between 1991–1996 regional development support focused on the least developed areas, the North Great Plain and North Hungary. More recently, the Act on Regional Development and Physical Planning brought fundamental changes in the spatial breakdown of the regional development support. With the exception of Budapest, all regions of Hungary are now eligible for regional development support. Reflecting the difficult balance in terms of equity and efficiency aims, an interesting feature of area designation is the scope to include 'growth districts' as priorities for regional development policies. This approach is formalised, for example, in Bulgaria the new Regional

[104] See Annex table 19-18 for a summary on national spatial targeting.

Development Act defines six types of target region, including "regions for economic growth".

The objective of spatial integration is not widely referred to. The emphasis within area designation systems is on targeting support *on* regions rather than supporting development *between* regions or countries. Having said that, improved integration between target regions and their surroundings is likely to be one of the spin-off effects of regional aid. For instance, specific regions may be eligible for tax-incentives to attract FDI or infrastructure support to promote trans-national linkages.

Especially in the new Member States and Candidate Countries, external influences on policy have been strong, particularly to bring designation systems into line with European Commission priorities and principles in preparation for future SF receipts. The influence of the EU is already evident, particularly in encouraging countries to adopt area designation systems that reflect the EU approach to Structural Fund eligibility. However, it is interesting to note that national governments have also developed their own maps, using distinct area designation criteria, to guide the spatial targeting of policy instruments.

As with the discussion of the preceding components of national regional policy, there is separation as well as synergies between forms of spatial targeting and wider policy aspects. First, as previously mentioned, the current spatial targeting of support does not fit with all territorial development objectives. Generally, it focuses on support to lagging regions and equity objectives as opposed to efficiency and integration.

Second, area designations for national and EU regional policy do not necessarily match. Regularly, national regional policies are based on much smaller territorial units, e.g. NUTS 3 and 4, whilst EU regional policy uses the NUTS 2 level. EU area designation criteria also differ in that they require EU-wide regional data – in effect, GDP per head and unemployment. However, their availability does not mean they are the best indicators to use, especially as the phenomenon of 'hidden unemployment' remains a major problem in many CEECs. National governments have the potential to access a wider range of more appropriate data and, in doing so, are able to be more responsive to dynamic economic conditions. That said, at the national level, there is perhaps more potential for "political" criteria to drive area designation decisions, which could lead to bias. For instance, regions with strong industrial lobby groups could benefit at the expense of rural regions.

EU area designations are also made on a longer-term basis involving fixed ceilings of support. In the context of on going economic restructuring and

adaptations linked to enlargement in CEE, a national designation system which allows regions to quickly exploit any emerging potentials and address development bottlenecks could be extremely advantageous. As a result, tensions may arise between the long-term and more broad brush approach of EU area designation and the need for short-term flexibility and narrowly-defined target areas. This potential problem is somewhat lessened by the fact that almost all regions in the new CEE Member States will be eligible for Objective 1 funding. However, Prague and Bratislava, two key centres of economic growth in their respective countries, will not be eligible for support.

10.2.4 Institutional Arrangements

Throughout the new Member States and Candidate Countries, important changes have been made to territorial administrative structures and the relative division of powers between levels of government.[105] These institutional reforms have had a direct impact on the way regional/spatial development policies are formulated and implemented. New approaches emphasise the delegation of political and economic power to sub-national levels so that regions can steer spatial development within their own territories and so develop competitive advantages to deal with the pressures of an increasingly globalised environment.

In the CEECs, the implementation of EU pre-accession financial aid instruments, as well as preparations for the receipt of Structural and Cohesion Funds, has exerted an additional influence on the institutional frameworks for regional policy. Although institutional frameworks for the development and implementation of regional policy vary, certain common elements and themes are emerging, most notably a new role for central government and a degree of regionalisation. [106]

In many of the CEECs, central-level ministries tended to be organised along sectoral lines during most of the 1990s. Some regional responsibilities were divided between ministries, but regional policy interventions were generally *ad hoc* and uncoordinated. Now, responsibility for the elaboration and implementation of regional development programmes has, in most instances, been allocated to a single central government department. National ministries and agencies are also increasingly acting as coordinators and partners in regional development, setting down the framework or guidelines and overseeing the coordination mechanisms within which the regional level can formulate and implement policy. Almost all of these

[105] Gorzelak G. (1996); Blažek J. (1999b)
[106] See Annex table 19-19 for a summary on national institutional arrangements for regional policy.

countries have established inter-ministerial institutions with the aim of increasing levels of cooperation and consistency in regional policy. For example, Hungary has the National Council for Regional Development to prepare regional policy decisions and coordinate activities between national ministries, national economic chambers, national-local government partnerships, foundations and academic organisations.

Several countries have also established separate organisations to support the design and implementation of regional policy. The specific competences of these bodies differ between countries. Some institutions were established merely as support services, while others play a more active role in policy implementation. The Czech Centre for Regional Development was established as the main implementing agency for PHARE regional development programmes, but also plays a wider role by offering objective and methodological support for the actions of regional development agencies. The Estonian Regional Development Agency plays a more active policy implementation role. The Agency was established to work on behalf of government ministries with regional development interests, counties, local governments and business associations. The Agency manages regional policy activities, such as the administration of regional development programmes and regional incentives, and also provides technical support to regional development institutions. Thus, the last few years have witnessed a marked shift towards a more coherent and co-ordinated approach by those central institutions involved in regional policy.

However, there are some caveats to these positive trends. First, the institutional framework for regional policy at central level can be very unstable. The allocation of ministerial responsibility for regional policy is often subject to significant political factors. For instance, in Poland the decision to transfer regional coordination duties from the Ministry of Economy to a new dedicated Ministry for Regional Development in 2000 was reversed by a new coalition government in 2001. Second, new coordination mechanisms for regional policy at the central government level are only beginning to address entrenched norms and attitudes. Ministries continue to play separate roles in the regional policy field, operating their own 'regional policies' with their own budgets, programmes, regional offices or agencies. In some cases, sectoral ministries have remained resistant to the idea of their activities being coordinated within a broader regional policy framework. In the past, the regional administrative tier tended to be weak or non-existent in many of these countries, but the situation is changing. Increasingly dense networks of sub-national bodies are emerging to participate in regional policy. Despite some diversity, the development of

these new modes of regional policy governance has produced common, basic elements in the new regional institutional architecture.

(i) Regional Development Agencies (RDAs)

In many CEECs, RDAs were among the first regional-level institutions to become involved in the policy process. RDAs are usually non-profit organisations and their key activities can include: the development of their regions through regional operational programmes and development projects; providing support for the entry of foreign investment into regions; and assistance in the promotion of entrepreneurship and industrial parks.

(ii) Planning Regions

New planning regions have been established in several CEECs to comply with European Commission criteria for NUTS 2 or 3 levels. These new regions have been created for the purposes of regional development planning and statistical analysis, providing wider coverage than the district or local levels.

(iii) Deconcentrated Units

In many CEECs, recent reforms have bolstered the role of the regional level in policy-making by delegating competences downwards from the centre. These new "deconcentrated" institutions often serve to coordinate regional policy plans emerging from the local level with national strategies.

(iv) Associations of Municipalities

Recent reforms have bolstered the role of the regional level by aggregating power upwards from traditionally strong locally-elected representatives. For example, in the Baltic States, local level county and district authorities are increasingly involved in regional policy delivery through cooperative mechanisms.

(iv) Self-governing Regions.

In the Czech Republic, Poland and Slovakia, recent reforms have created self-governing regions. These have facilitated greater levels of local/regional level participation in regional policy implementation and development.

So far, the main focus of this discussion has been on the course of developments within the CEECs. However, it is also important to consider the distinct position of Switzerland and Norway and, to an extent, Cyprus and Malta. The federal structure of Switzerland means that the *cantons* play a particularly influential role in regional policy. Levels of decentralisation are not as pronounced in the other three countries but decentralisation is on the increase. Even in Malta, the need to decentralise certain development actions to the local level has been recognised in order to ensure that local needs and expectations are properly addressed. The Ministry for Gozo has

regional coordination responsibilities for Government programmes and projects on the island. The government will support the implementation of locally based integration action plans which should focus on coordinating activities that target local needs and provide support and linkages across a range of policy areas.[107]

In summary, the last few years have witnessed a marked shift towards a more coherent and coordinated approach to regional policy based on more regional-level interventions though the true extent of the regionalisation process remains unclear. Certainly at the central level, efforts have been made to clarify and coordinate ministerial responsibilities for regional policy and provide the necessary institutional support for policy formulation and implementation. However, the powers of sectoral ministries remain strong in most countries. At the regional level, different approaches to organising regional-level participation in policy-making are apparent. In some countries, the regional tier is being institutionalised as: the location of regional development tasks and agencies; an operational level for deconcentrated state administrations; and the base for self-governing units with elected bodies. On the other hand, the fact that regional development finance is very often centrally determined can undermine the development role of the regional level.

The direct impact of these various changes on territorial development is not as easily traced as for the preceding policy elements. However, it is possible to identify some important associated impacts (see Table 5).

The influence of the European Commission has been apparent in the institutional and programming changes that have occurred recently in the field of regional policy in the CEECs. The impact of the Commission on domestic regional policies has been widely acknowledged by commentators.[108] Generally speaking, progress in meeting the Commission's accession conditions in the area of regional policy has not just facilitated the distribution of European funding but furthered the development of new territorial structures of local and regional administration. The principles of partnership, programming and subsidiarity support the right of regions to contribute to regional development strategies and operational programmes and give regional bodies a more strategic role than they had before.

[107] http://www.ndp.gov.mt/sectoral.html
[108] See, for instance, Benc (2003) p185.

Table 10-5: Institutional Arrangements

	Institutional arrangements
Spatial cohesion (equity)	Greater regional participation could give weaker, lagging regions a stronger 'voice' in development debates.
Spatial competition (efficiency)	Regional development actors in all regions can act on their own behalf Regional potentials and bottlenecks for development can be identified by regions for regions.
Spatial integration	Greater integration of regional institutions and actors into national, trans-national and EU development debates and fora

Commission influence has, however, not been uniform; its impact has been modified by the specific features of national systems, including the existing distribution of competences between national and sub-national levels. In some countries, such as Poland, preparations for the implementation of SF have run in parallel with domestic regionalising reforms. EU programmes are administered using established domestic regional policy resource allocation routes, policy decision-making channels and institutions. In other countries, the implementation of SF has stimulated the creation of specific frameworks and institutions that help to fill an institutional void at the regional level, to provide practical experience in the design and steering of regional development programmes and to encourage a multi-level perspective to the coordination of regional policy.

Paradoxically, the administration of the SF can also contribute to the continuing dominance of the centre over the regional tier. EU funding is negotiated between the European Commission and central governments and is associated with the spending of national ministries. Thus, by controlling the implementation of EU regional programmes and the flow of funding, national governments can further their own development agendas at the expense of regional interests.[109] The Commission's PHARE 2000 Review accepts this practice, stating that national ministries or agencies rather than regional structures can implement regional programmes 'if more appropriate'.

[109] See, for instance, Bache, I. (1999)

10.3 Conclusions and Policy Recommendations

As the preceding sections have demonstrated, national regional policy covers a wide variety of actions and is implemented for a range of reasons. All the countries in this study have some form of regional policy in place. Switzerland and Norway have a long tradition of policies aimed at supporting lagging regions. Cyprus and Malta also have programmes of support in order to promote more balanced development. In the CEECs, considerable progress has been made towards the development of modern, national regional policies. However, a number of persistent difficulties remain in this policy field. First, and most crucially, there are only limited financial resources allocated to regional policy. Second, EU regional development policy has tended to dominate regional policy debates, activities and resources. And third, the lack of coordination between government ministries and levels of governance is a recurring problem.

Clearly, it is important to consider how policies operate in combination, as well as individually. With this in mind, it is important to consider how SF, national policies and territorial development frameworks could better work together in order to promote more balanced territorial development throughout Europe. The following policy recommendations are set out according to the three main policy areas under consideration, territorial development, national regional policy and EU Cohesion policy. The recommendations follow the same structure as the report, by considering broad policy debates, policy objectives, practical policy issues and institutional arrangements.

10.3.1 Territorial Development

Territorial development objectives are the subject of ongoing debates surrounding their precise meaning, applicability, policy relevance and relation to existing policy priorities. For territorial development objectives and themes to be more effectively targeted by policy, the terminology involved, development objectives and relevance for existing policies should be more clearly established.

Territorial development debates bring up some complex policy choices for national governments. For instance, economic arguments for a focus on polycentric development and the development of growth poles may not be supported by national political, social and cultural contexts. Targeting development resources in some regions at the expense of others has the potential to be politically contentious. Consequently, the political, social and cultural context of regions should be taken into account when developing policy recommendations. Additionally, focussing assistance only on economic hubs could have negative impacts on surrounding regions, e.g. through

migration from poorer rural regions. The distinctive situation of the CEECs regions in terms of economic transition should also be taken into account. Supports offered should take account of the distinct challenges many regions are still facing with regard to industrial restructuring and adaptation.

Equity and efficiency debates pose particular challenges for the new Member States and Candidate Countries, which face the multiple challenges of growing regional disparities, underdeveloped national economies (relative to EU 15), and limited financial resources. In such countries, national development priorities may work against development in some of the lagging regions. An emphasis on balanced development at the EU level should not loose sight of the extreme problems faced by lagging regions in the new Member States.

Spatial cohesion, balanced spatial competition and spatial integration all demand a cross-functional approach that ensures cooperation between sectoral policies at national, regional and local level. Efforts could be directed at developing capacity in institutional cooperation and coordination. This should be particularly the case in the CEECs which have long standing weaknesses in this area of policy.

10.3.2 National Regional Policy

As previously noted, one of the big challenges facing the new Member States and Candidate Countries is shifting from a 'low-road' to 'high-road' strategies of competitiveness. Policies increasingly incorporate 'after care programmes' and target the higher skill, higher added value investments.

There is the potential for national regional policy to place a greater emphasis on the objective of spatial integration, e.g. through network activities. An existing example is an initiative in the Czech Republic. Eight cities, the so-called 'Czech Inspiration', are cooperating in the sphere of cultural and congress tourism.[110]

In Central and Eastern Europe it seems likely that resource constraints and the particularly underdeveloped state of peripheral regions are going to ensure that considerable selectivity in national regional policy will have to apply in practice. Thus, at the same time as advocating the development of new initiatives, it is also important to consider rationalising existing ones in order to provide fewer, but more effective forms of support. There may even be an argument for reduced spending on national regional policy and a greater focus on the provision of SF co-financing, especially for the CEECs. The task of national regional policy should be to eliminate current constraints on the provision of support from the SF in the form of matching

[110] Blažek, J. (2001: 760

grants. Poorer regions are often faced with difficulties in providing sufficient financial resources to co-finance eligible projects. In such situations, national regional policy might provide, for example, a higher percentage of project co-finance in the most needy regions to allow local beneficiaries to draw support from the SF.[111]

The reorientation of national policy towards EU cohesion policy would require a change in its time horizon from an emphasis on annual programmes to a multi-annual approach.[112] It is also worth noting that national policy is also weak in terms of monitoring and evaluation provisions to ensure the efficient use of public resources. In order to promote, a more effective national policy, lessons could be drawn from the experience of the SF and pre-accession aid.

Related, lessons drawn from Structural Fund experiences of partnership and programming could add value to national regional policy, which tends to be relatively centralised and sectorally oriented. More integrated, coherent programmes of support, developed and implemented in cooperation with a range of actors, have the potential to be more sensitive to actual development needs.

It is clear that, after accession, some peripheral regions may require greater external support and input than others. At the same time, according to Gorzelak,

" The traditionally strong economic agents, the public authorities, and mainly the nation states, now have withdrawn from direct intervention in the economic process and no longer act as direct investors, what deprives the less developed regions from one of their strongest chances for modernisation: direct public investment."[113]

As Lovering observes,

"the role of the central state as an employer and investor in regions is being downplayed in new regional policy models. Putting the onus on regional administrations to increase 'regional competitiveness' is perceived to be over-simplified, neglecting a consideration of the potential consequences of increased competitiveness for regional labour forces and acting as a means for national government to abdicate responsibility for addressing the problems of lagging regions.[114]

[111] Blažek, J. (2001: 746)
[112] Blažek, J. (2001)
[113] Gorzelak,G. (2001: 744)
[114] Lovering J. (1999)

These points, combined with the particular regional development difficulties faced by the CEECs, could argue for redeveloping a strong central government role in regional development.

Alternatively, increasing the proportion of financial resources for spatial development objectives under the direct control of the appropriate regional administrative body could allow for more accurate identification and targeting of regional potentials and bottlenecks. A more integrated regional/spatial policy requires the consolidation of a medium-level network of regional development institutions, the elaboration of and preparations for the implementation of programmes, as well as the smooth operation of central coordination and the determination of competencies related to the receipt of EU funds.

In order to capitialise on the potential contributions of central government and local/regional output, measures should be put in place to improve co-ordination and communication between levels of governance.

10.3.3 Structural Funds

If SF and pre-accession aid are to be more closely linked to territorial development objectives, there is a need to clarify the benefits involved and Commission expectations on these points. In the new Member State, the integration of horizontal objectives into programming documents has already proved challenging. Adequately reflecting territorial development goals adds another level of complexity to programme development and management.

According to the Third Cohesion Report, policies on cohesion and state aids are complementary; both are aimed at contributing to the Lisbon and Gothenburg agenda for pursuing growth, competitiveness and sustainable development. However, in the less developed countries the challenge of achieving the Lisbon and Gothenburg agenda is significantly greater than elsewhere; hence the need for increased aid.

The particular problems faced by lagging regions, especially those within the new Member States, should not be overlooked as a result of an emphasis on global development objectives, e.g. the Lisbon Agenda and national economic convergence. Adequate support from the SF should be provided to new Member States, and in particular lagging regions within these countries.

A long-standing criticism of the SF is their complexity. For instance, the Third Cohesion Report draws attention to the fact that the control procedures required are frequently regarded as putting unnecessary cost and time pressures on Member States.[115] Conversely, many of the more

[115] European Commission, (2004b: 23)

traditional national regional policies have often retained simpler structures, with related benefits for end beneficiaries and policy practitioners.

In the new Member States, institutional capacity building should remain a focus for EU programmes. It will take time for the organisations involved in regional policy to establish themselves as respected subjects. In particular, there should be a continued emphasis on building up coordination and partnership in the new Member States and Candidate Countries. There is a particular need to improve programming capacity at the regional level, ensuring that specific regional development concepts and strategies are compatible with and reflected in national and European development plans. Further progress in capacity building will also help to increase absorption capacity of the new Member States and their regions.

Clear guidelines should be provided for the division of responsibilities among the different levels of the spatial development institutions, with special regard to the establishment of the procedural rules and decision-making powers in programming regional development and utilising decentralised budgetary and international resources; and, specifically, in some countries (e.g. Czech Republic, Hungary) clarifying further the relationship between the political (NUTS 3) level and the administrative (NUTS 2) level in order to ensure smooth implementation of regional policy.

11 Conclusions and Policy Options

This chapter assembles the results gathered in the different analytical steps provided in this FR and builds upon policy recommendation development of the TIR. To some extent these tentative recommendations have been further developed and as far as possible fostered in terms of policy options specifications, which provide insights into expected effects and impacts of different kinds of structural interventions at different spatial levels. Nevertheless, this chapter also gives some more general recommendations, which for instance, are related to the implementation and structure of pre-accession aid rather than containing precise policy measures and region related assessments.

Before turning to the discussion of policy recommendations and options some general conclusions shall be drawn in relation to the whole project's work. In this context, the hypotheses on spatial impacts to be expected from pre-accession aid intervention, as developed since the SIR should be reviewed. Overall analysis suggests that the hypotheses actually indicated the main direction of spatial impacts of pre-accession aid interventions. Pre-accession aid funds will likely contribute to the territorial objectives set, but due to the volume of resources, the scale of development disparities, the lack of explicit reference to spatial objectives in primary programming and limited institutional capacities, these impacts will not be very pronounced and hardly measurable in quantitative terms. Consequently, the initially raised hypothesis about the dominance of indirect impacts of pre-accession aid on territorial objectives was supported by the project's research. Case study analysis further confirmed different modes of action of the different pre-accession instruments, and accordingly, also different spatial effects which derive from the variety of priorities funded (limited in case of ISPA and SAPARD, vast in case of PHARE) and the scale of projects (large single projects in case of ISPA, smaller and often groups of projects in case of PHARE and SAPARD). Moreover, the analysis confirmed that the impact of different instruments varies at different territorial scales and depends on the type of region affected. These types seem to play a crucial role in several aspects. Firstly, there was no clear spatial targeting of regional funds implying a concentration on one or another spatial objective. And secondly, analyses suggest the importance of differing potential endowment of different types of regions for appropriate selection of fields of action. Together with the variety of spatial objectives at different spatial levels, these aspects made the whole impact assessment less clear and straight forward. The role of institutional conditions assumed to be of high importance with regard to, on the one side, considerable impacts of pre-

accession aid interventions and, on the other side, as an important prerequisite for efficient and effective interventions has been asserted especially by the case study analyses.

In the following sections conclusions start from general level and move to more specific approaches. The more general policy recommendations are largely drawn from meta-analyses and experiences based on case studies. These culminate in a separate section, where they are summarised in a 'checklist' which can be used as decision help for alternative policy options. The following sub-sections shall, in particular, contribute to the 3 level approach of ESPON but also provide specific information on policy alternatives or options for different types of regions. By doing so, the findings of the different analytical TIA steps and the foregone potential and cluster analyses have been brought together. This becomes particular evident in the updated map on policy package alternatives for different types of regions, since this map draws on results of quantitative and qualitative analyses within ESPON 2.2.2. Because of the vast number of alternatives these policy options can only stress some examples of alternative policy implications. Yet, for decisions on various alternatives the prior 'checklist' could be used claiming similar information.

11.1 General Conclusions

For the development of the below policy recommendations and options as well as their application, a couple of general conclusions should be kept in mind:

- As of the considerable variation of regional structures not only in an EU 25 or EU 27 but also within the new Member States and Candidate Countries, comprehensive policy strategies tackling the most important potentials respectively bottlenecks, need to take account of the regions' specifics. What Munoz (2001: 4) points out for innovation related policies in less favoured regions of the EU 15, that "… there is no 'one-size-fits-all' policy portfolio. The regional differences in innovation capabilities are driving to the necessary blend of policy instruments" can also be translated into adequate regional policy packages for the new Member States and Candidate Countries aiming more generally at their development and thus supporting spatial cohesion at different levels. However, this should not be misunderstood as a rationale for widespread funds allocation to any priority but as a rationale for *specific and strategic policy intervention*.
- The EC is not responsible for all kinds of regional progress to be achieved through political intervention. The EC should only intervene if inter-regional or possibly international effects through intervention can

be expected and if the country or region cannot realise the intervention by own means (ARL 2003: 6). For contributions affecting only regional or national developments, i.e. at micro or meso level, it is the respective administrative level which is responsible rather than the EC. Hence, for the application of policy recommendations and options on the three different spatial levels, it is asked for increasing *cross-sectoral* but also *vertical cooperation and collaboration*.

- Differences in development levels tend to be more pronounced between the group of the new Member States and Candidate Countries and also within some of these countries than in most other parts of the former EU 15. Consequently, to achieve spatial cohesion in an enlarged EU, policy interventions have to take into account these *differences in development levels* as of the unlike needs in the differently developed regions. This also shows the 'importance of diversity' in the shaping of Europe (Munoz 2001: 26).
- Due to the vast space under consideration with intervention needs, also cohesion strategies need to propose priorities not only in sectoral but also spatial terms, this the more as funds for policy intervention are limited. Most likely, financial limitations will restrict the ability to foster growth and development of and within all concerned regions and at all spatial levels. Spatial concentration of policy intervention on regional centres, which may serve as growth engines, can be justified through competitiveness related arguments. However, at least in some cases of very peripheral and rural regions near the new external border of the EU, interventions are likely to represent transfers rather than productive investments in the short to medium term. Nevertheless, for a number of reasons they will be necessary, thus balancing different spatial objectives in these countries will be crucial.

To different extents the preceding chapters and in particular chapter 8 highlighted the key role of SF in an enlarged EU, e.g. by contributing financial resources, supporting a broad range of development priorities and policy instruments, promoting integrated policy programming and by interacting with other EU policies. It is argued that EU Structural Policy has the capacity to contribute to the promotion of spatial cohesion, balanced competition and spatial integration. However, the Funds also have limitations and problems, which could constrain their beneficial impacts. With this in mind, the following conclusions and policy recommendations can be drawn.

11.1.1 Clarifying the Link between Structural Funds and Territorial Development

When discussing territorially oriented policy recommendations or pre-accession aid and future SF interventions in the new Member States and Candidate Countries, the link between these interventions and territorial objectives respectively development needs to be discussed.

Balanced territorial development is not an explicit goal of pre-accession aid and also in the SF they could be made more explicit. For territorial development objectives to be more clearly addressed, SF regulations (and/or guidelines) should stipulate how programmes are expected to address territorial development goals. For instance, the objective of territorial cohesion could become a mainstreamed element of SF programmes.

If greater emphasis is placed on territorial development objectives, adequate systems should be in place to monitor and evaluate progress, e.g. relevant statistics and monitoring data should be made available at NUTS II and III levels at minimum. Yet, for certain spatial trends, like urban rural disparities, in many cases not even these levels offered profound information.

Agreement must be reached on the meaning of 'balanced territorial development' and associated terms and objectives. Related, agreement should be reached on the required impact of SF on balanced territorial development. So far, programming documents make very vague references to aspects of balanced territorial development. Definitions vary or even conflict. One element of balanced territorial development can be stressed at the expense of others, e.g. balanced competition over spatial convergence, or convergence at the EU level versus national or regional convergence. The case for balanced territorial development should be thoroughly debated and should be clearly set out in programming documents, thus allowing for precise understanding of the specific objectives in the respective programmes.

11.1.2 Building on the Strengths of Structural Funds and Pre-Accession Aid

Within an enlarged EU, there are substantial development disparities at all territorial levels. For instance, Eastern border regions and rural regions in the new Member States face particular development challenges. A central dilemma for policy-makers in the new Member States will be how far structural assistance should be concentrated in the main growth centres, where returns for investment are likely to be the most immediate, and how far it should be dispersed across regions according to development need.

Strengthening regions that are already the most competitive might give the best chance of achieving high growth, whilst allocating support according to need – in terms of poor economic performance – maybe more likely to improve internal cohesion and secure balanced development. Exacerbating this dilemma, the reorientation of SF and the eligibility of *all* regions could imply resource allocations to countries/regions that are already comparatively successful. In order to promote balanced development across all levels, it is important that SF support continues to address the needs of lagging regions, especially those in the new Member States.

A particular strength of the SF and pre-accession aid is their capacity to draw together a wide range of policy actors and actions – this strength should be retained. The National Development Programmes of the new Member States illustrate the broad range of development challenges that they face, e.g. ranging from the provision of basic infrastructure to enhancing R&D capacity. A narrowly defined 'competitiveness priority' could limit the relevance of SF support in some regions. For instance, R&D support could be difficult to absorb in some regions, due to a lack of appropriate facilities. It is anticipated that, in the next programming round, a number of regions in the new Member States could be eligible for funding under the proposed 'competitiveness' strand. However, despite their potential endowment, it has to be checked in how far their development needs are likely to remain more in line with those of 'Convergence' regions, i.e. relating to inadequate communication and transport links, relatively low R&D levels and lack of investment in environmental protection. Consequently, the competitiveness priority should allow to address such convergence themes as well as competitiveness topics in the respective regions in the new Member States.

11.1.3 Improving Structural Fund Implementation Systems

In order for SF and pre-accession aid to make the maximum contribution to territorial development, they must be used effectively and efficiently. To a large part, responsibility for the effective implementation of Funds lies with the Member States, e.g. through developing well-defined programming documents, maintaining a suitable project pipeline and efficient implementation of programmes. However, it is also important that SF and pre-accession aid regulations enable effective and efficient management of programmes and are not overly cumbersome. In their current form, SF and pre-accession aid are frequently criticised for being overly complicated. Simplification and streamlining of regulations could free up time and resources. It should also be recognised, that weaker regions may have problems with absorbing funds and support measures should take this into

account – also, for years to come, in some regions of the new Member States and Candidate Countries, as is suggested from regional absorption development of the late 1990s.

Pre-accession aid to Romania and Bulgaria remains vital in order to help them meet their target enlargement in 2007. In particular, the provision of funding for structural investment must be combined with on-going support for improving administration on the ground, for training personnel and for managing, coordinating monitoring and evaluating programmes, especially at the regional level, i.e. sustained institutional measures. It should also be noted that in the Candidate Countries and new Member States, a particular weakness in SF and pre-accession aid implementation systems is the retention of adequately trained staff, which – at least at times – hampers absorption capacities strived for.

Partnership working has proved to be a good way to target and identify development potentials and bottlenecks. Partnership working in the new Member States has increased substantially. However, future SF should continue to build upon and consolidate the progress made to date, particularly as regional participation in the development and implementation of SF programmes remains patchy.

The distinct development challenges faced by islands, mountain regions, old industrial regions, border regions and urban areas are identified in many programming documents. Policy should be flexible enough to take the specific needs of various types of regions into account. However, the development of separate support programmes for each regional type could unduly complicate EU assistance programmes. For instance, area designation processes could lead to micro-zoning. Nevertheless, below sampling specifications of targeting structural policies in different types of regions and the relation to their expected effects and impacts might indicate the kind of design regional authorities could undertake in order to achieve 'best' policy decisions.

11.1.4 Build on Links between Structural Funds and other EU Policies

Analysis of the SF alongside other EU programmes reveals a wide range of links between them. While there is considerable scope for policies to be complementary, there is also potential for overlaps and clashes. Experiences of the pre-accession aid instruments illustrates the potential for diversity in policy approaches, conflicting time scales and budgets. National Development Plan evaluations have also highlighted areas of potential overlap between, for example, SF interventions and rural development

actions. Improved mechanisms for exchange and coordination between policies are necessary.

11.2 Support to Policy Option Selection

Taking account of the numerous issues for structural policy implementation mentioned above, policy options at general level can be formulated, mainly with regard to overall policy structure, objectives and implementation procedures of interventions. Thus, below proposals should be understood as support to policy option selection as they indicate the issues to be recognised for effective and efficient policy implementation in terms of territorial objective achievements. In this context, this section derives summarising conclusions from the prior section, which can be assembled as kind of a 'decision support box'.

- In particular, the case study analyses have underlined the need of functioning institutional structures as a prerequisite for successful implementation of programmes and projects. The institutional capacity at the different spatial levels involved, is the most important factor for providing high regional absorption capacity and further thematic oriented programmes and projects achieving their objectives.
- For all interventions it should be decided whether territorial development objectives are relevant and should be explicitly addressed. Furthermore, relevant objectives should be precisely defined and criteria should be developed to allow for a territorial impact assessment. Even if spatial dimensions matter only implicitly, the awareness of spatial consequences of interventions need to be fostered.
- Precise definition of objectives and assessment criteria also requests consideration of all spatial levels. Conflicting objectives and impacts between spatial levels should be met in due time, which can for instance be achieved through appropriate integration of actors from all relevant spatial levels.
- Depending on the accumulation of bottlenecks – in particular in many regions of the new Member States –, long-term integrated strategies are needed which address the main regional potentials and bottlenecks simultaneously to prevent that problems are either shifted to other places or levels or to other bottlenecks.
- Relevant potentials/bottlenecks can differ between spatial levels. Thus, e.g. on macro level, other bottlenecks might impede macro level cohesion or polycentricity than on regional or local level. This reveals

the necessity of precise and level specific identification of potentials/bottlenecks.

- Programmes and projects should be flexible in their scope as well as scale. There are no one-size-fits-all solutions, but to be effective and efficient interventions need to be adapted to the specific regional and national situation in terms of fields of action and scale of project.

Policy Options "Checklist"

Institutional Capacity: Are the institutional structures stable and sufficient? Can they efficiently support the programme's/project's implementation on the respective levels concerned? – If not, institution building measures need to be implemented first.

Territorial Development Objectives (in general): Which territorial objectives are relevant for the programme/project and how can they be made precise? Which of these shall be made explicit? According to which criteria shall impacts become visible?

In case of only implicit territorial objectives – What are likely spatial consequences of the programme/project?

Spatial Levels Addressed: Which spatial levels shall be addressed and is this realistic with the funds provided? Which funds are needed for appropriately addressing the chosen spatial level? Are there conflicts between objectives or consequences at different levels?

Identification of Needs on Relevant Spatial Levels: Which are the main potentials/bottlenecks on the spatial levels addressed? Are there bottlenecks which need to be tackled first as they otherwise impede successful implementation of measures aiming at other themes?

Thematic Scope of Interventions: Can territorial objectives be realised through the programme/project appropriately by means of separate thematic interventions or are more integrated policy packages required? Furthermore, do links, overlaps or contradictions exist between the planned programme/project and sector/national policies? (These questions imply a combined review of the last two foregone questions.)

11.3 Towards Region Specific Policy Options

On basis of the conducted analyses and in relation to the different spatial levels and for the different types of regions various policy options could be discussed taking account of varying objectives. As of the vast amount of possible combinations between types of regions, spatial levels and primary objectives, here only exemplary cases can be discussed. However, to

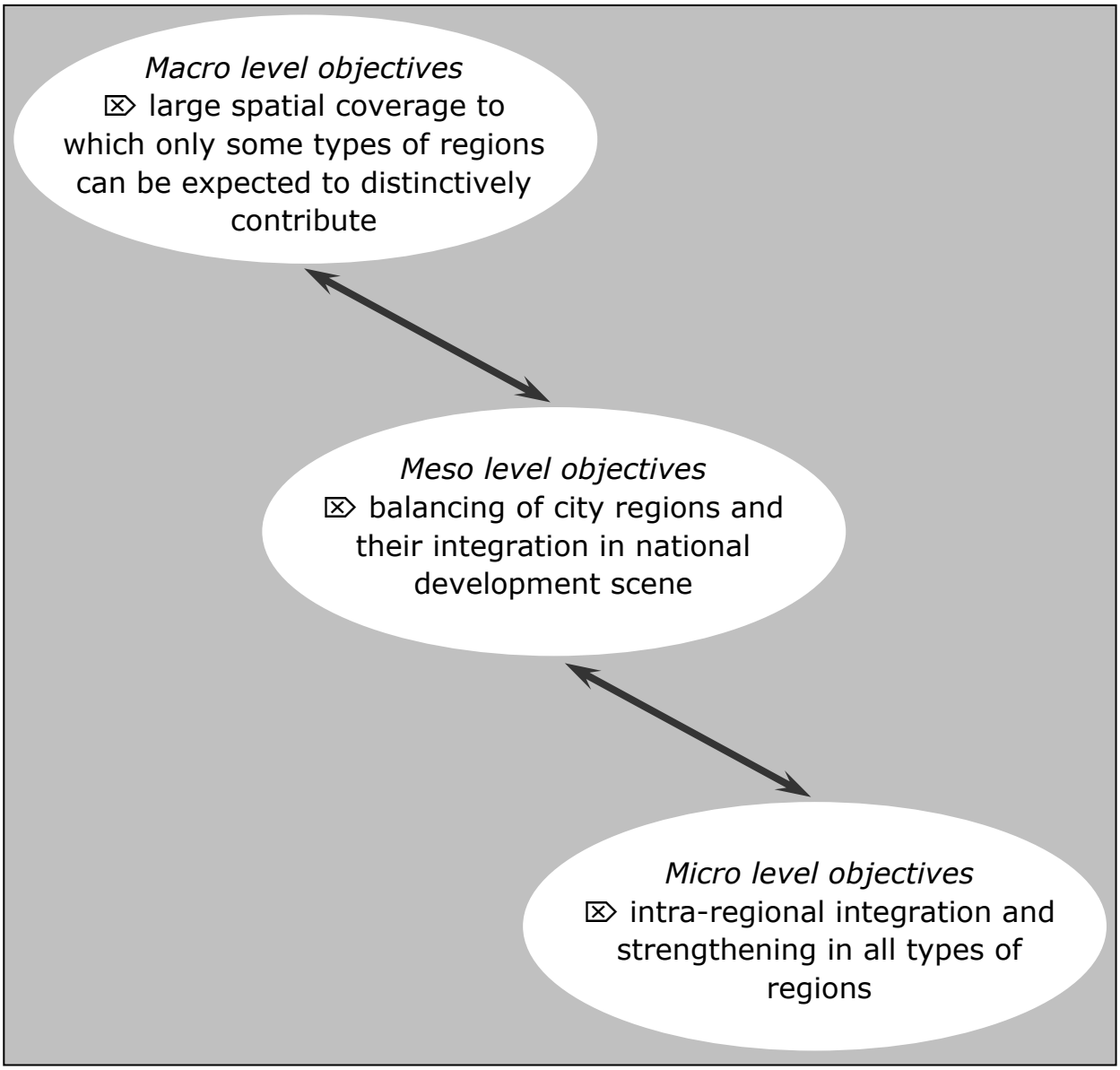
provide a better understanding of the relevant options, first a potential related policy package typology is shortly introduced and for each spatial level some summarising recommendations are conferred to.

For these proposed policy options it should be remembered that they shall be understood as *alternatives* rather than being presented as a whole pile of measures simultaneously to be realised. Thus, they refer to different priorities of objective settings and take the form of *'if-then relations'*, e.g. 'if balanced competitiveness is to be achieved as high priority objective at macro level, then measures X in region type Y can be assumed to distinctively contribute to this aim'. While in below sections policy options for all levels are presented, only selective parts of them can actually be implemented, which is mainly due to obvious financial limitations. Simultaneously, pursuing one or another objective at one or another spatial level can oppose intended aims at another level. The potentially conflicting forces are presented in a stylised way in below box. Therefore, a suitable policy mix, which is politically acceptable, needs to take account of these forces and also needs to set priorities not only with regard to the objectives but also concerning responsibilities at the different spatial levels.

Below Map 11-1 has been largely developed on basis of the findings of the cluster analysis. However, it also inhibits information from qualitative and quantitative impact assessment and symbolizes an enhanced typology as compared to the tentative policy package map in the TIR. In total, Map 11-1 differentiates between ten types of regions, which are, however, not completely uniform with those of the cluster analysis, since this map also draws on other results as well. Furthermore, delimitation of region types in this typology deliberately does not go along administrative borders, but allows for smoother shifts between policy options. This the more, as also the different packages can overlap somewhat, allowing for more flexibility, especially in regions, where more than one policy package intersect.

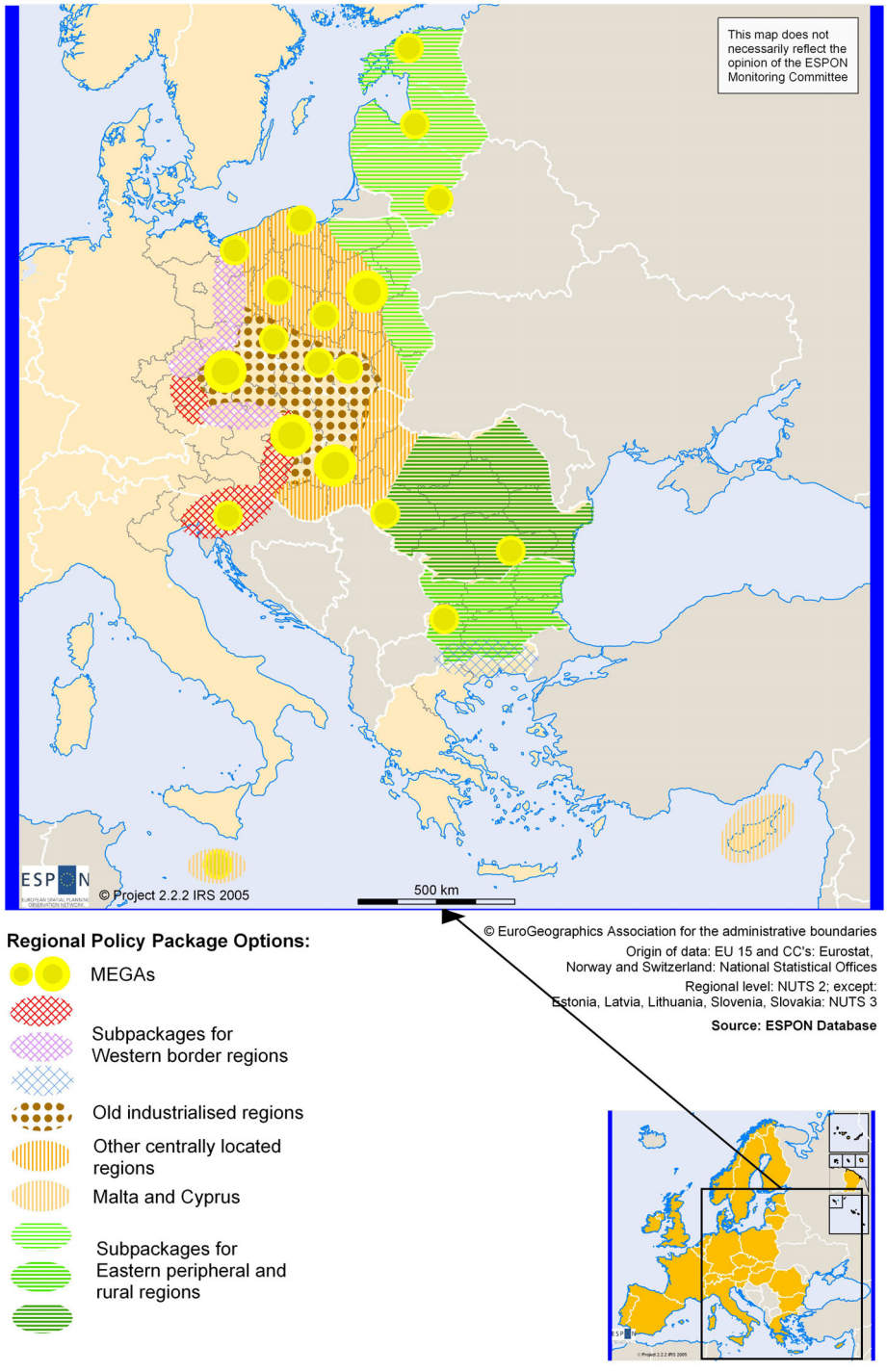
Although the types of regions of either group are broadly comparable, still country specific influence and situations might lead to somewhat different regional characteristics and potentials which should not be disregarded. Moreover, different development levels of regions belonging to one regional type define the scope for action and effectiveness of interventions. Following, broad strategies for each type of region are indicated below, which can be described as policy packages representing priority types of action. With more specific differentiation of sub-types revealing differences in the development levels, as for instance in the case of Western border regions, these packages can be even more specified, leaving no more than two to three priorities each region should focus on. Nevertheless, such further differentiation may also reveal again slightly different foci for one or

another region than for most parts of the region type. Hence, the policy packages outlined below should be understood as indications for coherent priorities of policy options rather than being inflexible sets of measures which are recommended. Furthermore, these proposed package contents take account of the regional potentials respectively bottlenecks hampering regional development as outlined by the results of the cluster analysis.



For the present differentiation of types of regions Map 11-1 gives an abstracting and summarising overview relating the policy strategies to the types of regions. Furthermore, this overview also stresses that, while different types of regions need to focus, to some extent, on similar potentials their actual priorities within these potentials differ notably.

Map 11-1: Summary of Policy Package Options* for Different Types of Regions



* For the contents of policy package options see the following sections and below box

Policy Package Option for MEGAs

- Infrastructure linkages at different levels (geographic position)
- innovation
- sector and business structure (localisation & urbanisation)

Policy Package Option for Western Border Regions

- human resources (labour market)
- innovation
- cross-border integration

Policy Package Option for Regions Dominated by Old Industries

- business restructuring (urbanisation & localisation)
- human resources (labour market)
- infrastructure modernisation (geographic position)
- environment

Policy Package Option for Other Centrally Located Regions

- sector restructuring (urbanisation & localisation)
- human resources (labour market)
- infrastructure linkages at micro level (geographic position)

Policy Package Option for Malta and Cyprus (island economies)

- human resources (labour market)
- economic diversification (urbanisation & localisation)
- environment
- transnational integration

Policy Package Option for Eastern Peripheral and Rural Regions

- economic diversification on basis of local SMEs (urbanisation & localisation)
- institution building
- human resources (labour market)

This map envisages separate policy packages or options for the agglomerations of the CEECs, in particular those, which have been characterised as *MEGA*s by ESPON project 1.1.1. Though the cluster analysis allowed for special groupings of the capital MEGA regions, this typology now takes account of the inherent delimitation difficulties and thus proposes comparable strategies for the other MEGAs in the CEECs, too.

To take account of the different roles and qualitative information of the four types of regions in the middle category of clusters, these have been further and in a more stylised way distinguished in altogether six groups. Thus, with regard to the CEECs' *Western border regions* a stronger differentiation is proposed as compared to the tentative typology of the TIR. While this proposition still takes account of the specific role these regions' can be attributed to in the context of European integration, it also comprises the varying potential endowment along the former EU 15 border.

Despite somewhat differing potential endowments of the regions belonging to the *old industrialised area* in the new Member States, they are suggested to be comprised under one type, since they largely face comparable problems with regard to sector restructuring and environmental difficulties. Which other themes should be of priority for interventions is more region specific and could be further elaborated in sub-types of regions dominated by old industries.

The remaining regions of the middle cluster category are then further distinguished between *other centrally located regions* and *Malta and Cyprus*. This differentiation takes account of the very specific geographic situation of the island economies, which asks for specific policy packages which certainly differ from those in the largely agriculturally dominated regions in the heart of the CEECs.

The remaining three sub packages for *Eastern peripheral and rural regions* are largely consistent with the delimitations in the cluster analysis. This can be mainly attributed to these regions' relatively low potential endowment and very peripheral characteristics. The fact, that e.g. most parts of Romania respectively Bulgaria form separate types, not further differentiating between the countries' regions, can be ascribed to the European level analysis, where differences within these countries are obviously smaller than between these and other CEECs.

In the remainder of this chapter, these policy packages are further discussed in more detail and with respect to the different spatial levels, conferring to one level at a time. Depending on the specific context in which these packages are discussed, also specific aspects relevant for the respective level are taken into consideration.

11.3.1 Macro Level

In the following, some general conclusions are drawn with regard to the main spatial objectives under consideration, hereby in particular bearing in mind the specific situation of the new Member States and Candidate Countries in relation to the countries of the EU 15. These considerations are then supplemented by some selective policy options for selected types of regions as pointed out in Map 11-1 above. These options stress some possible interventions which are expected to contribute to one or another spatial objective primarily at macro level. Only for those types of regions for which significant and sustainable effects and impacts are expected at this spatial level such options are laid out, while the remaining packages for the other types of regions are discussed in more detail on the other spatial levels. These options have been developed along the lines of varying spatial needs between countries and regions rather than the differentiation between different priorities of the SF, thus they are more potential rather than priority oriented.

11.3.1.1 Conclusions with Regard to Spatial Cohesion and Territorially Balanced Spatial Competition on European Level

Although spatial cohesion in social and economic terms is generally aimed at by the European Commission, due to the development differentials observed between and within the new Member States and Candidate Countries this objective might only be achieved in the long run. The objective for the EU to become the most dynamic, most competitive and sustainable knowledge based economy with full employment until 2010 (Martin and Schmeitz 2002: 1) does not seem to be realistic. Even if the growth of each country arises in specific growth regions and can be transferred to these regions' hinterland and then to the whole country as profits from investments in the growth regions (Martin and Schmeitz 2002: 2), it can be questioned whether such a concentration of funds on sometimes very few growth engines can gain political acceptance and how long such a process would take. Thus, the conception of European funds' allocation to regions where the funds are needed most and where they can contribute to a high value added (Martin and Schmeitz 2002: 8), seems to be contradicting for the new Member States and Candidate Countries. While value added of productive investments tends to be highest in only some types of regions, such as possibly some parts of the Western border regions, old industrialised regions and especially the major agglomerations, needs in terms of cohesion tend to be highest in the Eastern peripheral and rural regions.

Yet, following the concept of growth through a snowball system, cohesion in the long run only appears feasible, for most parts of the EU territory if not for all, if investments are appropriate for the development of the regional economy while inappropriate investments, which tend to remain unused, are prevented. If the latter investments are pursued, regional income levels are permanently supported by funds rather than retrieved from growth in regional economic activity. In the former case, cohesion policy can support the creation of regional growth which expands over time across regional borders into the agglomerations' hinterland and the remainder of the country. This way, cohesion policy also contributes to improving balanced spatial competition, as growth is generated from productive forces. Taking this snowball system together with the potential oriented approach, which is the basis for this analysis, then growth is most likely to be achieved in regions which are relatively well endowed with potentials as compared to their neighbouring regions. A regular and even spatial expansion of economic development from the growth engines is less likely than the pointed development across the better endowed regions.

11.3.1.2 Spatial Integration on Trans-national Scale

While the spatial integration objective is of importance for both, trans-national regions and border regions, here it is only referred to trans-national regions. Policy recommendations and options with regard to the integration of border regions are discussed further below in the context of cross-border regionalisation and micro level integration.

Apart from its own perspective, spatial integration on macro level also aims at the achievement of territorial cohesion across countries and can thus also be regarded as a special instrument in achieving the overall objective. Yet, trans-national integration has a number of different dimensions. The effects of the reduction of trade barriers and other barriers limiting international movements is reflected in the change of trade, capital flow and migration figures. However, these effects do not necessarily provide insights into the level of integration but are a measure of the countries' openness and can also reflect the exploitation of economic differences. These effects have not been investigated in ESPON project 2.2.2. Instead, integration has been understood and analysed with regard to cooperation and collaboration across countries and borders. Consequently, the respective conclusions only refer to this aspect and especially to means of improvement for trans-national cooperation and networking. Furthermore, in the following they are provided on a more general level applicable for different macro-regions rather than for selected regions. The latter is provided in more detail in chapter 7 for the Alpine Space and ARCHIMED macro-regions.

Similarly to the analyses with regard to other policy objectives, measures aiming at trans-national networking in the frame of the macro-regions (INTERREG IIIB) occur to have a weak strategic approach on programme level. Objective specific achievements are likely to be largest if a strategic approach on the respective regions' programme level takes account of areas or sectors in need of action throughout the whole macro-region area and if this is also reflected in the selection of projects.

Despite general natural and socio-economic problems, such as limited infrastructure and accessibility or dangers to the environment, spatial integration cannot be achieved without the people in the macro-region. Only if the labour force – or more generally the population – is aware of the benefits of international networking and integration it will actively partake. Thus, if fields of action addressing human and business resources are included more strongly in the programmes participation of private sector actors in trans-national activities and contribution to socio-economic integration could be expected to be fostered.

Closely connected with the promotion of human resource development are options aiming at the improvement of communication between the different levels involved in trans-national cooperation. The research undertaken has made clear, that in many cases, especially at project level, the understanding of the ESDP objectives is poor or not existent at all. Yet, this understanding could also support adequate project proposal development and realisation directed at the attainment of ESDP objectives. Therefore, among others, an obligatory requirement of cooperation components or common communication strategies could prevent "co-projects" and strengthen the trans-national character of projects.

Another general proposal for improvements of trans-national networking refers to financing mechanisms. Analyses have shown, that at least to some extent, participation in trans-national projects depends on the availability of resources. Especially if EU 15 Member States and new Member States belong to such a region, the latter are often disadvantaged in their chances to co-finance projects to similar extents as the other countries. To ensure comparable even if not equal partnership across these different countries, e.g. varying rates of co-financing taking account of particularly low public funds in low income countries and regions could help to overcome this problem.

Finally, evaluation and monitoring on programme level should take the spatial dimension into account, thus also enhancing territorial objective attainment. Yet, to realise this recommendation, methods of operationalising spatial objectives and criteria for territorial assessment need to be

developed. This has to be achieved in a way well understood by the actors involved but also by the interested population as this can further enhance public support for trans-national networking.

11.3.1.3 Selected Relevant Policy Options for MEGAs

As related to above general indications in section 11.3.1.1 in the new Member States and Candidate Countries MEGAs can be expected to be of major importance for achieving convergence and competitiveness on macro level as they appear to be the most dynamic regions in these countries. However, so far, none of the capital regions and few other major agglomerations in the new Member States and Candidate Countries has been classified as strong MEGA by ESPON project 1.1.1. Most of them represent weak MEGAs and few potential MEGAs. Thus, they need to be strengthened for European competition in terms of different aspects. In this context above policy package options indicate priorities for infrastructure, innovation and sector and business structure related policy measures for MEGAs. Without such preference, not only these MEGAs but basically all regions in new Member States and Candidate Countries are likely to fall back in view of the Lisbon strategy.

To compete in international innovation and fostering polycentricity, macro level accessibility – in terms of transport but also telecommunication infrastructure – of these agglomerations needs to be enhanced as envisaged in the frame of Trans European Networks. Yet, if snowball systems shall work, transferring growth to the hinterland, then the respective local links should not be neglected also in reference to macro level cohesion.

If international competitiveness and innovation capacity in the MEGAs is aimed at, this could be supported by measures for 'high road' economic restructuring, which are directed towards business and innovation centres or investment support schemes, and which take advantage of already existing suitable service sector activities. Moreover, support for international R&D or innovation related networking are anticipated to promote spatial integration as well. However, isolated catch-up processes of MEGAs to EU 15 standards bear the danger of strengthening monocentric structures in the majority of these countries, therefore working against balanced spatial competition and convergence at meso level.[116]

[116] For related policy options see below section 11.3.2.5.

11.3.1.4 Selected Relevant Policy Options for Regions Dominated by Old Industries

Another crucial role for macro level cohesion and balanced spatial competition play the old industrialised regions. This the more, since they are enclosed by a triangle of weak and potential MEGAs, possibly forming a future Eastern European counterpart to the Western European Pentagon.[117] Especially as a possible counterpart to the domination of the Pentagon, these regions, together with the MEGAs surrounding them, could contribute to macro level convergence and also polycentricity on European level. Thus, for the necessary spill-over effects, growth from the major agglomerations could be directed to these old industrialised regions.

For the reduction of still existing bottlenecks in these regions, policy packages encompassing improvements in human resources – adjusted to modern employment needs – and enhancement of the restructuring process could be utilised. Especially the importance of sector employment composition has been stressed in above analyses including the quantitative impact assessment.[118] Thus, sustainable growth in the old industrialised regions relies on sound restructuring, possibly even differentiating between different types of old industrialised regions, depending on the respective specialisations. Yet, for macro level achievements such measures appear to be most effective in the centres of these regions. At the same time such concentration might bear the danger of increasing disparities within these regions at micro level.

11.3.1.5 Role of Other Types of Regions for Macro Level Objectives

While Western border regions as well as the two island economies are likely to partake in the European cohesion process through regional cohesion and also indirect ways, Eastern peripheral and strongly agricultural dominated regions are particularly short of potentials clearly limiting their growth perspective in the short and medium term. For these regions, especially on national but also regional scale, i.e. meso- and micro-level, it is important not to fall further behind.[119] Yet, pursuing the respective objectives on these lower spatial levels lies more properly in the responsibility of the countries and regions rather than with the EC.

[117] See potential oriented typology in 2nd Interim Report of ESPON project 2.2.2 and Zillmer (2005)

[118] For the complexity of the old structure of old industrialised regions at the example of Upper Silesia and Ostrava Region see also Eckart et al. (2003: 377-380).

[119] For the corresponding policy option development see below section 12.3.2.6.

11.3.2 Meso Level

Similarly to the foregone section on the macro level also meso level conclusions start on a general level finishing with some specific policy options particularly relevant for achievements on this level – always keeping in mind the conflict potential to the other spatial levels. However, the more general conclusions are less related towards the different objectives but general pre-accession aid and SF related findings, which can be utilised for policy implementation improvements contributing to spatial objectives at meso level. For instance country specific influences need to be referred to in this context.

11.3.2.1 Utilise Institutional Effects of Pre-Accession Aid and Structural Funds Interventions

The importance of institutional conditions for territorial impacts of pre-accession aid to develop has been highlighted from various perspectives throughout the report. Strengthening of institutional capacities on meso and micro level alike, can be assessed as one major effect of pre-accession aid, be it as result of institution building measures or as side-effect of interventions in other fields of action. A particular strength of pre-accession aid, in this respect, is their capacity to draw together a wide range of policy actors and actions on all spatial levels. This strength should be retained.

Nevertheless, institutional bottlenecks limited full optimal utilisation of pre-accession aid programmes and thus potential impacts on territorial developments. Accordingly, institution building should remain a focus for SF in the new Member States and especially for pre-accession aid in the Candidate Countries. Although EU policies considerably strengthened institutional structures on the national level, there should be a continued emphasis on building up coordination and partnership in the new Member States and Candidate Countries. Further progress in capacity building will also help to increase absorption capacity of the new Member States and their regions.

Moreover, clear guidelines should be provided for the division of responsibilities among the national and regional levels of the spatial development institutions, with special regard to the establishment of the procedural rules and decision-making powers in programming regional development and utilising decentralised budgetary and institutional resources. In some countries (e.g. Czech Republic, Hungary) the relationship between the political (NUTS III) level and the administrative (NUTS II) level needs to be further clarified in order to ensure smooth implementation of regional/spatial policy. Furthermore, in some of these countries NUTS levels have been implemented in the course of EU membership preparation not

necessarily taking account of historical regional developments or regional identities. This results in regions basically only referred to in statistical yearbooks rather than filled with regional activity.

The complexity of implementation procedures of pre-accession aid programmes themselves proofed to hamper effective and efficient implementation of programmes and projects. Application, implementation and control procedures are frequently regarded as putting unnecessary cost and time pressure on responsible institutions on national level and on regional level as well. Simplification of structures could therefore contribute to enhanced results of implemented programmes and accordingly to stronger territorial impacts. This holds the more if procedures are speeded up in the course of simplification, as then project selection and implementation can react more easily on latest territorial developments.

11.3.2.2 Take Country Specific Characteristics into Account

Quantitative analysis emphasised the importance of country specific characteristics with regard to both, territorial development priorities and impacts to be expected from pre-accession aid and SF interventions.

Relevance and priority of different territorial development objectives vary according to the initial socio-economic situation and their potential provision of countries but also with regard to other country specific features, e.g. with regard to the size, natural conditions of a country or institutional achievements in the transformation process. Moreover, the national political, social and cultural context has to be regarded when deciding on territorial development priorities. While, for instance, the emphasis of spatial competition objectives at the expense of spatial cohesion objectives might fit into the national context in some countries, it might arouse conflicts in other countries on meso level.

The distinctive situation of the CEECs in terms of economic transition should be taken into account with regard to territorial development objectives and selection of interventions. Due to different paces and characteristics of the transition process, still, distinct national differences remain. The level of institutional and macroeconomic developments, however, is crucial for the positioning of these countries within the EU's Lisbon Strategy. At the same time, transition processes resulted in increasing intra-national and intra-regional disparities in the new Member States and Candidate Countries. Thus, equity and efficiency debates and the goals of the Lisbon and Gothenburg strategies pose particular challenges for these countries, which face the multiple challenges of underdeveloped national economies, growing regional disparities and limited financial resources, in both public and private sectors. Discussions on territorial development objectives and policies should

not loose sight of these particular contexts differing distinctively from conditions in EU 15 countries.

11.3.2.3 Take Specific Characteristics of Types of Regions into Account

When analysing territorial impacts in the frame of the concept of potential endowment, then the most important challenge for achieving territorial development objectives in the new Member States and Candidate Countries is to take varying regional characteristics in terms of potentials and bottlenecks into account and to orientate spatial policy interventions towards the complex regional development situations. The analysis showed that one-sided interventions or interventions not adapted to the regional situation hardly reveal impacts on territorial developments. Therefore, interventions should be combined and coordinated to simultaneously address the main regional bottlenecks.[120] For each region a coordinated strategy of interventions should be developed.[121] Since the types of regions are defined by certain similarities of development problems, overall policy options with regard to relevant fields of action can be developed for each type of region. And, furthermore, in the next step they should even be more differentiated within types of regions, as even within one type of region different development levels can be found.

11.3.2.4 Coordinate Sector Policies with Territorial Approaches

As the analysis of territorial impacts of the adoption of the *acquis* indicated, several sector policies reveal a strong territorial dimension. To foster complementarity of sector and spatial policies and to prevent negative effects of mutually conflicting interventions both types of policy need to be coordinated with regard to their territorial impacts[122]. For the new Member States and Candidate Countries the adoption of the *acquis* provided insights into the relevance of specific sector policies for specific types of regions. E.g. the Common Agricultural Policy is of particular importance for rural and often lagging regions, environmental policies are highly relevant for old industrial regions facing severe environmental problems, and many other sectors of the *acquis*, however, mostly provide development opportunities for the major urban agglomerations, e.g. transport policies in form of TEN investments, R&D policies or policies related to the Internal Market.

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[120] Development of "package solutions" of selected measures have also been requested by the German ARL in order to avoid arbitrary lists of measures established for safeguarding of funding only. Compare ARL (2003).

[121] Such strategies are proposed within the respective policy options, which here are related to the different spatial levels.

[122] This is also emphasised by the German Beirat für Raumordnung (2004).

Summarising, other EU sector policies have the potential to enhance overall impacts of structural policies on territorial developments by complementing SF activities. Yet, in order to prevent contradictory or overlapping interventions and to achieve the greatest possible wanted impacts, clear priorities need to be set regarding the preferred spatial level of impacts and the spatial objectives primarily pursued. Consequently, this is closely related to horizontal and vertical cooperation mechanisms as analysed in ESPON project 2.3.2.

11.3.2.5 Selected Relevant Policy Options for MEGAs and Second Tier Agglomerations

Also on meso level implications of the EU's Lisbon and Gothenburg strategies need to be discussed for different types of regions. While MEGAs have been emphasised as the most important regions in the light of the Lisbon Strategy on macro level, from meso level perspective second tier agglomerations have to be regarded as well. To foster balanced spatial competition on meso level and to prevent agglomeration disadvantages to develop in the MEGAs, national counterbalances need to be strengthened. The function of urban agglomerations as engines of competitiveness and innovation has to be fostered in agglomerations of national rather than international importance as well. Therefore, in many cases, existing strong potentials have to be utilised by reducing the most severe bottlenecks in these regions.

Moreover, linkages between the respective national MEGAs and the second tier agglomerations and transnational linkages between agglomerations of similar positions have to be established and strengthened to encourage development of competitive patterns of specialisation adapted to national contexts and regional initial potentials. This can again best be made clear with reference to the development of suitable transport and communication infrastructure, which here needs to emphasise linkages between the respective agglomerations. Yet, apart of these linkages policy interventions in MEGAs are not assumed to reveal significant impacts on meso level.

11.3.2.6 Selected Relevant Policy Options for Western Border, Centrally Located Rural and Old Industrial Regions

From this perspective, agglomerations situated within the Western border regions provide high potentials for contributing to balanced spatial competition and spatial integration on meso level alike, since they are in a favourable situation for integration into urban networks with the neighbouring EU 15 Member States. Similarly also such agglomerations in the old industrial regions can play a role for achieving these spatial

objectives at meso level as they can build upon strong national past positions and remaining relatively strong potentials.

But also with regard to other intervention fields, these types of regions can be expected to contribute to spatial objectives at meso level. E.g. human resource development should support meso level convergence and competitiveness by strengthening the human capital basis in the regional centres. This way, these regions can more successfully compete with the capital regions or other MEGAs. Similarly, in Western border regions spatial integration can, for instance, be fostered by cross-border mobility schemes or training programmes.

11.3.2.7 Relevant Policy Options for Malta and Cyprus in the Context of Spatial Integration

Despite their small size and peripheral geographic location these island economies can form an integrative part of spatial integration not only within the EU territory but also in relation to their neighbouring countries in the Mediterranian area. Thus, if integration of the island economies into the mainland developments is to be fostered and opportunities for economic diversification is to be provided, then economic and institutional linkages to the neighbouring countries should be strengthened. This is related not only to communication and transport networks but also to socio-economic, cultural and other cooperation areas. Yet, as of the different problems and structures of either of these countries, priorities between the different action fields could shift.

11.3.3 Micro Level

From a micro level perspective the specific challenge of developing comprehensive regional strategies which utilise existing potentials and reduce main bottlenecks come into focus even more strongly. This the more, as all regions need to contribute to regional and local convergence and competitiveness for themselves, while depending on the type of region not all of them can be expected to play a likewise part to spatial aims at national or even European level. Nonetheless, depending on the actual kind of intervention, similarly to interventions targeting primarily one of the higher spatial levels, also measures principally aiming at the micro level might affect meso and/or macro levels. Yet, before turning to these specific policy options, once again some general issues and conclusions which matter on regional level are tackled.

11.3.3.1 Provide an Analytical Base for Interventions Adapted to the Specific Regional Situation

First of all, to be able to draw such integrated strategies on a region by region basis, adequate systems of analysing initial regional situations and evaluating potentials and bottlenecks need to be in place. So far, only a few countries established extensive SWOT analysis on NUTS 3 level[123] in order to lay a sound foundation for the implementation of pre-accession aid or SF. Relevant socio-economic statistics and data on policy monitoring (spending levels, fields of action) should be made available on regional level for all countries. Only if comprehensive comparisons across regions within and between countries can be undertaken, it is possible to conduct an appropriate SWOT analysis focussing not only on the specifics of the region but also relating the regional situation adequately in the national and international context. However, to achieve this, akin and extensive statistics providing information on the different kinds of potentials need to be available.

11.3.3.2 Increase Institutional Capacity on Regional Level

Although EU policies considerably strengthened institutional structures on the national level, there should be a continued emphasis on building up coordination and partnership in the new Member States and Candidate Countries, in particular also at micro level, since there is a specific need to improve programming capacity at the regional level, ensuring that individual regional development concepts and strategies are compatible with and reflected in national and European development plans.

This need has become particularly clear as bottlenecks related to weaknesses of regional institutional structures provided a frequent constraint for sound definition and implementation of pre-accession aid programmes on regional level. Institutional capacities, therefore, need to be further strengthened in order to provide the basis, on the one side, for development of intervention strategies adapted to the specific regional situation and, on the other side, for effective and efficient implementation of measures. Besides, such improved institution building can also enhance absorption capacity at the regional level for different potential oriented interventions, thus contributing to higher effectiveness and efficiency of possible measures. Yet, capacity building should focus on those interventions and regions, which are in the focus of the next programming period in order to avoid unutilised and thus, in the short run, wasted institutional measures.

[123] See for instance the Slovenian White Paper on Regional Development Strategy (NARD 1999).

11.3.3.3 Selected Relevant Policy Options for MEGAs and their Enclosing Regions

These regions demonstrate the most favourable economic indicators, benefiting from, for example, high investment, skilled labour forces and training facilities, more developed infrastructure, business services and access to decision makers. Some capitals (e.g. Budapest, Prague, Bratislava and Tallinn) are highly dominant in the national economic structure. Although these regions can be regarded as the backbone of cohesion at macro level in the context of the Lisbon process, they need to be regarded differently with respect to micro level interventions.

For achieving spatially balanced competitiveness and convergence at micro level, the MEGAs need to be more strongly linked with their hinterland. Such measures thus aim at preventing negative agglomeration effects and negative impacts resulting from sharp disparities within regions enclosing one or another MEGA. Linkages in terms of transport and communication infrastructure but also in terms of sector and business structure should be fostered to enable positive spread effects of urbanisation and localisation advantages. The latter, however, can only be presumed to reveal positive effects for large parts of the respective regions, if sector restructuring and diversification is undertaken with reference to the whole region's specific potentials and bottlenecks. Furthermore, such restructuring also needs to take place in the MEGA's hinterland and remaining part of the region rather than only within the MEGA.

11.3.3.4 Selected Relevant Policy Options for Western Border Regions

Western border regions benefit from proximity to the EU 15, encouraging investment, trade, tourism and cross-border retail and educational/technological initiatives. To fully utilise these advantages for increasing competitiveness existing strong potentials should be strengthened in particular with regard to labour market potentials and innovation capacity. Adjustments of labour market and economic structure towards the Western neighbouring regions could provide the basis for economic cooperation on a qualitatively high level. In addition, barriers to spatial integration and cooperation have to be reduced especially in terms of improved transport infrastructure linkages, but also with regard to institutional and socio-cultural barriers. Cross-border cooperation programmes, accordingly, form an integral part of development strategies for these regions and should concentrate on socio-cultural cooperation, e.g. in the framework of Small Project Funds and establishment of functional economic linkages. The cooperation and integration character of cross-border projects should be

strengthened by request for equal involvement of actors from both sides of the border.

Apart of this focus on integration measures, also on micro level, Western border regions could enhance spatial convergence and competitiveness by related measures on local infrastructure, human resource development and innovation support. Yet, for an appropriate selection of activities, the different development levels and potential endowments of the Western border regions – as stressed in Map 11-1 – need to be recognised, thus, selecting varying priorities between different fields of action.

11.3.3.5 Selected Relevant Policy Options for Regions Dominated by Old Industries

These regions were the drivers of economic activity under socialism and have been particularly affected by privatisation, enterprise restructuring/closures, subsidy loss and market re-orientation. Problems include unemployment, lack of entrepreneurship and environmental decline. A full process of restructuring still has to be undertaken in some old, mono-structural areas. Spatial policies therefore, have to be directed towards supporting restructuring processes. Most important fields of action are related to the adjustment of the human capital stock towards requirements of knowledge-based economies, the adjustment of sector and business structures towards competitive industries and services, the modernisation of local infrastructures and the reduction of environmental damages. In particular, activities aiming at an improved sector and business structure and environmental conditions can be expected to show the strongest effects and impacts at micro level rather than higher spatial levels.

11.3.3.6 Selected Relevant Policy Options for Other Centrally Located Regions

To large parts, priorities for spatial achievements at micro level for these regions seem to be similar to those already mentioned in the forgone section for the old industrial regions. However, the focus within the priorities certainly needs to differ greatly, if comparative micro level objectives shall be realised. For instance, economic restructuring for these regions needs to take into consideration in particular the imminent role of agriculture in the majority of these regions. Thus, sector restructuring in these regions should be largely linked to rural development and agricultural restructuring if micro level convergence and competitiveness are of high priority.

Furthermore, this also implies, that connected measures aiming at improved human resource development need to be related to the special needs of these regions, i.e. covering for instance know-how transfer necessary for

successful SMEs development and rural activities beside traditional agriculture rather than knowledge necessary for modern industrial sites.

11.3.3.7 Selected Relevant Policy Options for Malta and Cyprus

The island economies of Malta and Cyprus face the challenges of peripherality, internal development disparities and a high dependence on employment in the tourism sector and agriculture. At the same time, endowment with rich natural and cultural heritage sites form an important part of the economic base especially in the tourism sector. Natural and cultural environments particularly vulnerable due to high densities of population and activities on the islands' small territories should be protected, in particular if the socio-economic basis shall sustainably be supported for these countries development.

Yet, while these countries are faced with similar problems connected with their peripheral status, priorities for micro level convergence and competitiveness need to differ certainly between Malta and Cyprus, which is due to the different structures, potentials and bottlenecks within either country. For instance, Malta appears to have a severe bottleneck with regard to human resource development which – together with other deviating factors – impacts in fostered socio-economic disparities between the two main islands of the country. Hence, for micro level convergence, such bottlenecks should be tackled.

In contrast, in Cyprus, due to the political situation institutional aspects are likely to be of high priority in addition to improvements of a rather one-sided service sector structure, which also could support balanced competitiveness at micro level by sustained diversification.

11.3.3.8 Selected Relevant Policy Options for Peripheral Eastern and Rural Regions

These regions are among the most economically disadvantaged in the CEECs. Geographical location, poor infrastructure, low investment, declining agriculture and rural out-migration are all contributory factors. Spatial policies in these regions can not be expected to improve the productive basis to a considerable extent, due to the dimension of bottlenecks for development and the low levels of funding available. Thus, spatial policies in these regions can mainly be assumed to impact on micro level and only to a limited extent at meso level.

If balancing of disparities in these regions is a policy priority, then interventions should be concentrated on stabilising the situation of regional and local centres by e.g. supporting economic diversification on the basis of

locally active SMEs and improvement of labour market potentials. Such measures are most likely to support these regions' development as a whole. As the analysis showed, institutional bottlenecks in these regions constrain effective and efficient implementation of EU-programmes or projects, thus one focus has to remain on further institution building measures on regional level. Moreover, cross-border cooperation in the most peripheral Eastern border regions should be fostered in the fields of socio-cultural and institutional cooperations in order to prepare for long-term reduction of development barriers resulting from relatively closed borders and political tensions.

11.3.4 Challenges for Structural Funds in the new Member States

Summing up, it can be stated, that despite of the lack of directly measurable quantitative impacts of pre-accession aid, they have actively contributed to spatial objectives at different spatial levels in the new Member States and Candidate Countries. For future evaluations and assessments, the present discussion on the reform of the SF needs to be focussed upon. This discussion lays the basis for adjusted objectives and eligibility criteria. However, independently of the final objective scene, it is important to keep in mind, that financial resources are limited while development and growth needs are utterly extensive. Thus, thorough decisions on priorities with regard to spatial objectives and decisions on priorities of spatial levels at which these objectives shall be primarily pursued, have to be taken, also considering the division of responsibilities between the EC, national and regional authorities.

Yet, the shift from pre-accession aid to SF – at least for the new Member States – also embodies new chances, since in the majority of these countries' regions available funds will increase. On basis of the findings and experiences made with pre-accession aid in the new Member States and Candidate Countries and the SF in the EU 15, future improvements of fund allocation, implying increasing effectiveness and efficiency of resources, and thus, also bettered spatial targeting, should be envisaged.

12 Methodological Overview

The spatial outline in the contract for ESPON project 2.2.2. asks for an analysis not only of the Candidate Countries but the EU 27+2, explicitly including Norway and Switzerland. However, a territorial impact assessment of pre-accession aid can only be approached for the countries which have received such funds, i.e. the Candidate Countries. In order to provide an overview of the different spaces analysed at different steps of the project, the following first subchapter explains which area is under analysis at which stage of the project, especially pointing out the role of Norway and Switzerland within the research.

The second and third part of this chapter refers to the different approaches of quantitative analysis, especially referring to the relation between potentials and EU policies and to the different steps of quantitative analysis following as the core of analysis in ESPON project 2.2.2. Due to data limits in the quantitative analysis as described below and partly also in earlier interim reports[124], a deepening qualitative analysis is envisaged as well. It is realised by means of case studies on which in the fourth part of this chapter a short methodological description is provided. Following, the fifth part outlines the steps taken for preparing the ex-ante analysis of SF and pre-accession aid under consideration of ESPON project 2.2.1. and 2.2.2. results, and as far as possible, also incorporating outcomes of other policy analysis projects. The sixth part then provides a short methodological overview with regard to the analysis of the relation between spatially oriented national policies and EU measures. Finally, the chapter closes with an overview on indicators developed and applied by ESPON project 2.2.2.

12.1 Spaces and Spatial Levels under Consideration

The new Member States and remaining Candidate Countries present the core territory of analysis, as all policies under examination have only been implemented in these countries. This concentration is also envisaged to avoid overlapping analyses with other ESPON projects under priority 2, especially ESPON project 2.2.1. However, in order to achieve comparative results for the whole ESPON territory, special typologies have been developed in close cooperation with the aforementioned ESPON project (see below section on typologies).

This means that the quantitative potential analysis has been conducted for the territory of the whole EU 27 + 2 while the policy analysis concentrates spatially on the new Member States and Candidate Countries. Consequently,

[124] See Kujath, Zillmer et.al. (2003: 32-39) and Kujath, Kunkel, Zillmer et.al. (2003: 23-26, 33-34).

also quantitative territorial impact analysis can only be conducted for the latter territory. However, the remaining ESPON territory has been included in the frame of qualitative analysis steps as described in more detail further below. Generally speaking, the meta analysis of national spatial policies, being related to EU measures, specifically refers to Switzerland and Norway. Furthermore, the qualitative analysis regarding the spatial integration objective (WP 7) has also taken account of countries in the ESPON territory other than the new Member States and Candidate Countries. This has been realised in the frame of one cross-border case study in which a German-Polish border region has been under consideration, and especially in the context of the analysis referring to trans-national macro regions. Here, the selection took special notice of Switzerland in the analysis of the Alpine Space and within the Archimed macro region, apart of the Mediterranean island economies especially relations with Greece have been comprised.

Appropriate policy indicators had thoroughly been collected and regionalised by ESPON project 2.2.2. However, due to data limits within the established policy data base it was not possible to conduct a consistent policy impact analysis on NUTS 3 level for the whole territory of the new Member States and Candidate Countries. Nevertheless, this final report of ESPON project 2.2.2. relates to the NUTS 3 level as much as possible, also in order to be able to conduct any spatially relevant analysis for the small countries, such as the Baltic countries and Slovenia, which each consist of only one NUTS 2 region. Therefore, for most smaller countries Phare and pre-accession aid policies have been regionalised at NUTS 3 level. However, since for many Phare and pre-accession aid measures a definite allocation on NUTS 3 level is either impossible (in the case of Poland as of the particularly large number of projects) or leads to unnecessary inconsistencies, these policy data have been regionalised on NUTS 2 level only for the larger countries.

Table 12-1: Spatial Level of Regionalised Policy Indicators according to Country

NUTS 2	NUTS 3
Bulgaria, Czech Republic, Hungary, Malta[a], Poland, Romania	Cyprus, Estonia, Latvia, Lithuania, Slovakia, Slovenia

[a] Though Malta is the smallest country under consideration, no NUTS 3 level allocation of policies has been possible.

Analyses and especially policy recommendations differentiate between the different spatial levels of the 3-level approach in ESPON. In particular with regard to the spatial objectives under consideration, references are made to the spatial levels involved. Thus, for instance the objective of spatial

cohesion is analysed on the European macro level but also on national level. This way, the analysis not only takes account of the development of intercountry disparities but also of those disparities developing within the countries[125].

Table 12-2: Integration of 3-Level Approach into ESPON Project 2.2.2.

	Macro level (international)	**Meso level (national)**	**Micro level (regional/local)**
Case Studies	Macro regions regarding their spatial integration	NUTS 2 regions' position in relation to other regions in their country	Effects of policy measures within the region
Quantitative Policy Data Analysis	E.g. allocation for national institutions in comparison	E.g. allocation for national system of transport infrastructure	E.g. allocation for local infrastructures
Policy Recommen-dations / Options	E.g. spatial cohesion between EU 15 and new Member States/Candidate Countries	E.g. spatially equal distribution of competition between regions of a country	E.g. urban-rural disparities within a region

Table 12-2 provides an overview of the different spatial levels as included in the different working steps of ESPON project 2.2.2. The first two lines are related to the qualitative and quantitative approaches of territorial impact assessment of the policies under examination. The last line relates to the approach taken in the final section of Part 2 of this Interim Report. The table only gives examples for one or another spatial objective in either step of the analysis and recommendation development. However, within the respective analysis and recommendation sections below, it is tried to follow the whole structure of the 3-level approach consistently for each of the spatial objectives ESPON project 2.2.2 is interested in. Nevertheless, as of data limits and/or other constraints, in some cases the analysis might not refer to all three levels but to selected spatial levels only.

12.2 Potential Analysis as Basis for TIA

The approach chosen is closely related to the one taken by Biehl (1995: 73-77) who tested the potential factor approach by means of quasi production functions. The central hypothesis of the approach is, that a region's development potential is the higher the better its equipment with potential

[125] See for example map 8-8 in 2nd Interim Report of ESPON project 2.2.2. (Kujath, Kunkel, Zillmer et.al. 2003-2: 157).

factors. In this context, potentials are exogenous variables and the development potential is endogenous. Biehl (1995: 70-73) has conducted such an analysis for the EU 12 on NUTS 2 level by taking account of the economic geographic location, agglomeration, sector structures, infrastructure, country dummies and an error term. These different potentials have also been included in the analysis of ESPON project 2.2.2, even to a more detailed degree as is pointed out in table 5-1.

In order to gain a comprehensive potential related typology which can provide summarised information on regional potential endowment, a cluster analysis has been conducted. It included all available potential indicators and was carried out according to the method of Ward. This clustering method is part of the agglomerative cluster methods, which – in each step – aggregate the research subjects, i.e. regions, to enlarging groups.[126]

12.3 Quantitative Analysis of EU Policies' Impacts and TIA

Further territorial impact assessment needs to be analysed under the three objectives, already mentioned in the interim reports, namely

- spatial cohesion,
- balanced spatial competition, and
- spatial integration.

Before pre-accession aid can be measured against these spatial objectives, it needs to be related to the regional situation. Since Phare project data is not complete for the early years across all Candidate Countries and since Phare programmes were started at different points of time in the 1990s, only the last years of Phare programmes and pre-accession aid starting with 1998/1999 will be under consideration. Any consideration of earlier programmes is likely to incline not comparative results. Furthermore, in the early years, most Phare funds have been used for national rather than regional project implementation, which makes a territorial impact assessment the more difficult for the respective period of time.

12.3.1 Relation of Regional Potentials and Pre-accession Aid Allocation

Several steps of analysis should be distinguished, which could help to understand the spatial pattern and development in the regions of the Candidate Countries.

[126] For additional information on cluster analyses and the Ward method, see for instance Backhaus (1996: 262pp.).

12.3.1.1 First Step – Improving Descriptive Analysis under Spatial Cohesion Objective

While the 2nd Interim Report already outlined a number of different regional potentials for the Candidate Countries and new Member States, further analysis elaborates more strongly on the policy dimension and provides improved descriptions of the spatial allocation of pre-accession aid measures as related to regional GDP. However, apart of the purely descriptive part of financial policy allocation, the analysis also relates to spatial objectives, as a kind of location quotients has been calculated (Miller, Gibson and Wright 1991:65-66 and Mack and Jacobson 1996: 5-8). In contrast to the usual utilisation of location quotients on the basis of economic sectors' activity, here, they depict the relative importance of the structure of pre-accession aid spending in the respective country's context. A regional quotient with a value above one then reflects an above national average intervention with respect to the relevant potential, while a regional quotient below one displays an intervention level below national average. This quotient allows to show the main regional emphasis of pre-accession aid allocation in relation to each of the potentials.

Alternatively, these quotients could also be calculated in relation to the spending structure in all countries under investigation. However, such an approach could distort the results as of the large differences in respective financial resources. Hence, the analysis first concentrates on a regional comparison per country. In the second step, this relative importance of potential oriented spending can then be mapped against the respective potential i in t_0.

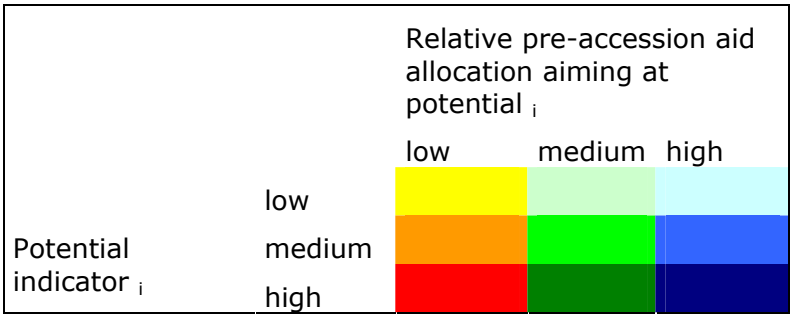
12.3.1.2 Second Step - Relation between Potentials and Pre-Accession Aid Measures

Before the different objectives of pre-accession aid are related to the respective potentials, an overall relation between total pre-accession aid allocation and general regional situation shall be given. Simultaneously, this general relation is also suitable as policy oriented typology and is to be developed on a comparative basis to the respective typology of ESPON project 2.2.1, since both projects can only refer their policy typologies to parts of the whole EU 27 + 2 territory.

For the potential oriented relations of the location quotients, the structure of table 7-24 of the 2nd interim report could provide the basis as well as the data which represent the foundation of the maps in the 2nd interim report depicting regional pre-accession aid allocation aiming at the improvement of different potentials.

Apart of improvement of Table 7-24 in terms of national focus, further improvement of Table 7-24 data goes beyond national level on regional level, providing an answer on the question 'how much or what share has been spent on which potential in which region?'. This regional allocation aiming at different potentials can be utilised in relative terms (relating total allocation to GDP or population) to correlate policies with potentials. On a descriptive level, this relation can be mapped in a simplified way, distinguishing between regions of low, medium or high level of pre-accession aid intervention. Combined with the respective potential indicator a first relation between potentials and pre-accession aid allocation can be reflected as indicated in Figure 5-1.

Figure 12-1: Indication of Descriptive Relation between Potentials and Pre-accession Aid Allocation



By means of such a grouping, regions with high potential-specific intervention and high respectively low potential can be identified. The result then suggests whether pre-accession aid allocation is used for improvement and utilisation of existing potentials or if it aims at the reduction of existing bottlenecks. Thus, these maps for the different potentials can show in how far regional pre-accession aid allocation focuses on potentials and bottlenecks. Consequently, potential indicator values at the beginning of the observation period are used for the relation between policies and potentials at this stage .[127]

In order to achieve a comparable division of groups for the different potentials, it is necessary to sort each of the indicators according to the same rule. While grouping on the basis of the same number of regions per group (the low, medium and high group each consist of one third of all regions) seems to be most appropriate at first glance, it is not feasible because of the distribution of indicator values across regions. E.g. for some of the policy indicators much more than a third of the regions have not received any aid directly, thus the respective indicator value would be zero

[127] However, these maps can only be provided for those potentials, for which adequate and verified data are available. More information on data problems is provided in Part I, Data Limitations.

and the regions could not divided into three equal portions. Thus, we suggest to take instead the difference between the highest and lowest indicator value and divide this difference by three.

12.3.1.3 Third Step – Developing Comparative "Double Indicators" for Each Region and Nation

Based on the policy and potential indicator values for each potential group a combined indicator can be developed, which we call a "double indicator". To obtain these indicators, policy and potential indicator values are put into relation. Since in quite a number of cases, the policy indicator might take the value of zero, it is most appropriate to use this indicator as numerator:

$$double\ indicator_i^r = \frac{location\ quotient_i^r}{potential\ indicator_i^r}$$ with i = potential group and r = region.

Although this approach simplifies the characterisation of potentials by reducing the number of indicators, it allows to get comparable indicators across regions showing the relation between potentials and pre-accession aid allocation.

12.3.1.4 Fourth Step – Typology for Territorial Impact Assessment Approach

To achieve a territorial impact assessment of pre-accession aid implies to include the development of regional potentials into the analysis. Although there are certainly a number of additional influences, which affect regional potentials – like national policy interventions of different kinds, natural events and other policy independent developments – the depiction of potential changes in relation to pre-accession interventions might in most cases provide an idea about the direction of policy effects:

$$\Delta\ double\ indicator_i^r = \frac{location\ quotient_i^r}{potential\ indicator_i^{r\,t_1}} - \frac{location\ quotient_i^r}{potential\ indicator_i^{r\,t_0}}$$

with t_0 = beginning of observation period, i.e. 1998/1999 and t_1 = end of observation period.

Because of the existence of other possible effects affecting regional potentials, a typology based on a cluster analysis of these development indicators however does certainly not point out the scale of effects. Instead, it only provides a first idea about the direction of effects. Special attention needs to be directed towards those regions where the change of the double indicator suggests a deteriorating rather than an improving potential despite of policy interventions aiming at the respective potential. In such cases a deeper analysis needs to search for specific influences which might have

contradicted pre-accession aid objectives. Also regions with low or no obvious impact have to be looked at more closely, as other influences might have reduced positive effects of pre-accession aid projects. Nevertheless, above classifications help to identify the different kinds of cases which can then be looked at more precisely in order to identify actual relations between policies and potentials, supporting territorial impact analysis.

However, apart of the above mentioned role of additional effects affecting regional potential indicators, there are further limits to this step of analysis involving the development of the changes of double indicators as well as the corresponding cluster analysis. These limits are basically

- *data limits* – not for all potentials comprehensive data covering all regions of all Candidate Countries and new Member States both for the beginning as well as the end of the period under consideration are available;
- *time limits* – many economic indicators (also included in the potential analysis) need, due to time lags, a number of years until effects of policy interventions are reflected in the respective indicator.

So far, an approach is made for territorial impact assessment in terms of change of potential indicators as a possible and partial result of pre-accession aid intervention. However, this is done without any reference of territorial objectives, for which the following sections provide additional methodological steps of analysis.

12.3.2 Analysis of Spatial Cohesion and Balanced Spatial Competitiveness

The objective of spatial cohesion is related to converging living conditions and usually measured in terms of per capita GDP and unemployment rate distribution[128]. Although there are other indicators as well depicting conditions of living more accurately, we will rely on income and unemployment indicators for pragmatic reasons. Other indicators are even more difficult to gather on NUTS 3 or at least NUTS 2 level for all regions of the Candidate Countries.

In order to analyse the ESDP objective of spatial cohesion the development of the selected indicators has to be observed. For additionally achieving a territorial impact assessment, it has not only to be shown whether the regions have converged or diverged in terms of income and unemployment but in how far a relation between income respectively unemployment development and pre-accession aid allocation can be identified. In order to

[128] See e.g. the differentiation of indicators in Kujath, Zillmer et.al. (2003: 30-31).

identify this relation simple regressions are to be conducted, which at a first stage show whether any significant effects of pre-accession aid allocation in total, i.e. without dividing according to different potentials, can be observed. Because of the low level of intervention in terms of total funds spent within the pre-accession programmes such a general regression can help to quantify the role of pre-accession aid funds.

$$\Delta GDP^{r} = One + \alpha \cdot GDP^{r}_{t_0} + \beta \cdot UE^{r}_{t_0} + \chi_{1-N} \cdot POT^{r}_{1-N,\,t_0} + \delta \cdot \sum_{t} PAA^{r} + \varepsilon \cdot D_{c}$$

with GDP = per capita GDP, one = constant, UE = unemployment rate, POT = potential indicators, PAA = relative pre-accession aid expenditure, D_c = Dummy for country c and α, β, γ, δ, ε = coefficients.

A similar regression equation can also be developed for the second cohesion indicator, namely ΔUE^{r}. After testing correlations between above variables, these seem to be the most important and possible variables to be incorporated in such regressions. In addition, the constant is likely to show significant values because of the other influences which cannot be included into the regression appropriately, such as national policies, influences of economic and political transformation, natural disaster.

A positive coefficient δ in the income regression reflects a positive relation of pre-accession aid with GDP per capita growth, independently of the aid's priority or objective. However, only if this coefficient is significant a perceptible influence can be assumed. Theoretically possible are also regressions which distinguish pre-accession aid allocation according to its objectives and potentials addressed. But due to different quantitative funding levels for the various priorities, the outcome is likely to depend on the relative amount spent for one or the other priority rather than the impact per Euro spent. Therefore, significant results of pre-accession aid differentiated according to the priorities of spending can easily be misleading.

Despite the simplicity of this analysis, it has a number of shortcomings which are mostly connected with the length of the period of time under consideration as well as the amount of pre-accession aid spent in the Candidate Countries, especially on regional level. With regard to the period of time it has to be noticed that impact variables like GDP and unemployment rates adjust with time lags, thus, if only a few years of time can be included in the regression, impacts on GDP and unemployment might not yet have occurred but can still be expected. On the other hand, a longer period of time rather than those suggest in above section does not seem to be appropriate, e.g. since incomes were still declining in most Candidate Countries until the middle of the 1990s under transformation influence. This

argument is also closely linked with the allocation of pre-accession aid on regional level, where very little funds have been allocated to regional projects rather than national projects until the late 1990s. Finally, EU-funds spent in the Candidate Countries often amount to only very few percentage points of national aid, which means that pre-accession aid is likely to have qualitative rather than only quantitative impacts on spatial cohesion.

Thus, even if coefficients of pre-accession aid are not significant, results need to be interpreted cautiously in order to avoid jumping to the conclusion that these funds do not support spatial cohesion. E.g. they also can induce growth and cohesion in a more indirect way, i.e. by mobilising other funds from national or regional sources which were not mobilised without EU funding.

The approach chosen is closely related to the one taken by Biehl (1995: 73-77) and introduced in above section on the potential analysis. Similarly to the approach related to employment and income, this analysis can also be conducted for productivity as the endogenous variable, which is described in the next section of this chapter.

12.3.3 Analysis of Spatial Integration

For a comparative analysis of the spatial integration objective a similar regression approach could be thought of as described above. Then, spatial integration would have to be measured by means of different indicators, such as the development of regional and national trade balances, trade development with regard to commodities, transport flows and personal border crossings based on different kinds of interaction[129]. However, many of these data are not available for all regions under consideration. Thus, rather than going for a quite incomplete and hence not convincing quantitative approach, the analysis the spatial integration objective concentrates on the qualitative aspects and methodologies as discussed in below section.

12.4 Qualitative Analysis of EU Policies' Impacts and TIA

In accordance with the differentiation between the territorial impact assessment with regard to spatial cohesion and territorially balanced competition in WP 5 and the spatial integration objective in WP 7, also the qualitative analysis, i.e. the case studies, is divided in these two groups. Consequently, the process of case study selection was divided accordingly and the comparative case study approaches have been adjusted to the respective work package's needs.

[129] For different elements measuring spatial integration see for instance EUROREG et al. (2003).

12.4.1 Case Studies Focussing on Spatial Cohesion and Balanced Spatial Competition

Based on considerations of the fields of intervention, which are not covered by the quantitative analysis due to lack of data, e.g. institutional or environmental conditions, and the specific country knowledge of the project partners the following case study regions were chosen:

Table 12-3: Choice of Case Study Regions and responsibilities in WP 5 and Regional Case Study Specification

Region (NUTS 2 /NUTS 3)	Type of region	Thematic field focused on	Responsible Partner
Estonia	Peripheral small country	Environmental quality, regional disparities in a small country context	IRS
Malta	Peripheral island economy	Institutional conditions	CRT
Warsaw Metropolitan Region, PL	Capital city region	Transport infrastructure	EUROREG
Slaskie Voivodship, PL	Old industrial region	Industrial restructuring	EUROREG
Szabolcs-Szatmár-Bereg County, HU	Peripheral eastern and rural region	Rural development, institution building	HAS-CRS
Borsod-Abaúj-Zemplén County, HU	Declining industrial region	Industrial restructuring, institution building	HAS-CRS

The selection of case study regions in Table 12-3 reflects especially these fields of intervention, considering that different types of regions are to be covered and that different policy approaches with regard to the potentials/bottlenecks addressed are to be analysed.

To facilitate comparative analysis a common approach was used: The case studies were based on a template which defined the main research questions and gave guidance concerning the detailed case study outline.

The following overall research questions were formulated to guide the analysis:

- How can the situation and development path of the region be characterised with respect to regional potentials/bottlenecks?
- Which priorities had been set by pre-accession aid projects?
- Has pre-accession aid projects been directed to meet the regionally specific situation of potentials/bottlenecks?
- Has pre-accession aid projects affected regional potentials/bottlenecks, and if yes how?
- Has pre-accession aid projects contributed to territorial development objectives (equity, efficiency) and if yes how?
- Has pre-accession aid projects been embedded in regional development structures (national strategies)?
- Has pre-accession aid projects been embedded in regional institutional structures? Did they affect regional governance?

Basic research was conducted as "desk research", aiming at analysing the regional situation and the general structure of regional policies in the region, including pre-accession aid as well as national policy. Then, an impact analysis in the defined thematic field had to be approached by conducting expert interviews in the region. Analysis could either focus on project or programme level depending on the chosen region and thematic field.

Comparative analysis of case study findings focuses on common conclusions in terms of policy assessment with regard to regional potentials and bottlenecks and with regard to territorial objectives. On basis of these issues development for proposed policy recommendations has taken place.

12.4.2 Case Studies Focussing on Pre-accession Aid's Impacts on Spatial Integration

The case studies focussing on the spatial integration objective of the ESDP represent the core of the analysis of WP 7. They are supplemented by a meta-analysis that takes account of programming documents and existing evaluation reports of the respective INTERREG and PHARE CBC programmes. These analyses comprise not only the substance and effectiveness of regional cooperation in different trans-national macro regions but the development of the challenges for cross-border cooperation as well. In addition, the analysis of the ability of the thematic structural priorities of the implemented spatial policies is of major importance, as well as the relevant supporting financial mechanisms for the promotion of cross-border spatial

integration and trans-national regionalism. In the end, these analyses bring about the development of proposed policy recommendations for trans-national networking measures and cross-border cooperation.

In total, five case study regions have been selected and conducted by four different partners of the TPG, as below table illustrates:[130]

Table 12-4: Responsibilities for case studies in WP 7 and regional case study specification

Partner	Case Study Region
UEHR	Trans-national macro region ARCHIMED
IRS	Trans-national macro region ALPINE SPACE
EUROREG (supported by IRS)	Germany-Poland – Euroregion Viadrina (cross-border region EU 15 – new Member States)
CRS HAS	Hungary-Slovakia (cross-border region between new Member States) and Hungary-Ukraine (cross-border region of new extern EU 25 border)

This differentiation shows, that apart of trans-national macro regions, which also involve neighbouring countries (Switzerland in Alpine Space), reference has been made to the three different kinds of border regions as institutional aspects are concerned. Due to this selection it has thus been possible to make reference to the different kinds of cross-border programs encountered in the EU 15, former Candidate Countries and Neighbouring Countries. The remaining selection within each of these possible types of border regions had to be made on the basis of pragmatic decisions in dependence of language knowledge and data availability minimizing data gaps and additional (often complicated) data collection.

Case study analysis was based on a common template which comprised desk research as well as the conduction of interviews. The desk research aimed at providing basic information on the concerned region in general, the structure of policies (European or/and national) and if available evaluations of the cross-border and trans-national policies to be analysed. Interviews have then been conducted at both, programme and project level, the latter directed on highlight projects in the region concerned. The interviews

[130] A spatial overview of the respective case study regions is also given in the respective map in the Annex.

focused on specific questions related to implementation of EU policies in the region:

- What kind of effects (direct/indirect) on developments in the specific fields can be found?
- To which extent have networking procedures been successful and contributed to more permanent cooperation structures? Did the respective policies also lead to informal and private cooperation? Are these projects sustainable?
- To what extent have the specific effects also affected broader spatial development objectives?
- Which improvements of intervention and their effectiveness can be expected from future application of Interreg etc.?

A synthesis was then drawn from the case studies including a summary of the main findings from each case study as well as a comparative analysis.

12.5 Ex-ante Analysis

Work Package 6 of ESPON 2.2.2 was entitled an 'ex-ante analysis of the influence of the pre-accession aid and Structural Funds (SF) on balanced territorial development in the EU territory'. This work involved two key components, one being a meta-analysis of ex-ante evaluations of the National Development Plans of the new Member States and the other being the systematic discussion of future policy options related to selected types of regions.

The meta-analysis of ex-ante evaluations of the NDPs takes into account the core elements of the ex-ante evaluation process in the context of structural policies, namely:

- *Evaluation of existing programmes* – taking account of previous experiences and thus providing the link between ex-post and ex-ante evaluation;
- *evaluation of the adequacy of the socio-economic context of the programmes* – integrity and accuracy of analysis, description and explanation of main problems, whether the objectives and priorities stipulated by the programmes correspond to this analysis;
- *evaluation of strategic choices and the action priorities selected and their internal and external consistency* – assessment of the justification of selection of priorities, content of strategic objectives, internal and external consistency of the NDP;
- *quantification of objectives*;

- evaluation of anticipated socio-economic impacts and the allocation of funds;
- evaluation of the implementation system of the programme. (Blažek and Vozab,2003)

The assessment undertaken as part of WP6 uses this structure as a framework for analysis. The analysis builds upon the work of previous work packages (1-5) and accompanying literature and policy reviews. It also involves an innovative meta-evaluation of ex-ante evaluation reports of national programming documents. A matrix was developed in order to enable a systematic cross-country comparison. Apart from giving general comments on the available evaluation material this matrix summarises the main positive and negative aspects of policy programming and objective setting differentiating between a number of issues:

- Key challenges,
- coherence of strategy,
- integration of horizontal/sectoral themes and EU policy,
- integration of territorial themes,
- programming,
- implementation and monitoring,
- level of decentralisation,
- absorption capacity.

In this matrix explicit reference is made to territorial development, regional development issues and spatial development trends. Thus, this working step provides a comprehensive ex-ante analysis for SF in the new Member States also tackling critical issues, such as the absorption capacity. Furthermore, it also provides the evaluation for the remaining Candidate Countries not facing SF in the next programming period, which supplies valuable information for their further preparation of EU membership. Finally, this analysis can also be very useful for the implementation of preparation measures in further (future) Candidate Countries (Turkey, Croatia and other Balkan countries) not receiving pre-accession aid yet.

In order to develop a regional approach of ex-ante evaluation which goes beyond the meta-evaluation and to elaborate "scenarios of alternative policy impacts" several additional methodological options were considered within WP6:

- Elaboration of scenarios for development of regional potentials by continuing time series of indicators on regional potentials,

- in-depth analysis of future project pipelines within Structural Fund programmes,
- analysis of regionalised information from ex-ante evaluations of NDPs/SPDs.

All these approaches proofed to be not feasible with the resources given and the data or information available. Therefore, instead of assessing future policy impacts future, "policy options" on regional level are discussed as part of the ex-ante analysis by highlighting the likely spatial relevance and scope of different fields of actions within special types of regions according to macro, meso and micro level impacts. The discussion addresses the three main types of regions derived from the cluster analysis of ESPON project 2.2.2 (capital city regions, western border and central peripheral regions, eastern peripheral regions) and the main fields of action to be distinguished within pre-accession aid and SF (transport infrastructure, economic restructuring and innovation support, human resource development, environmental infrastructure, rural development/agricultural restructuring). In order to base the discussion of policy options on a basis as sound as possible not only the quantitative and qualitative analysis undertaken by ESPON project 2.2.2 are considered but also the main results of other ESPON strand two projects are taken into account. The latest reports of those projects have been reviewed by ESPON 2.2.2 on the basis of a common template in order to extract the main results along the dimensions of types of regions and spatial levels affected. However, in some cases this turned out to be difficult, since not all projects structured their results according to these dimensions. Analysis within ESPON 2.2.2 also did not completely cover all dimensions of the "policy options" (all types of regions, all fields of actions, all spatial levels), so that in some cases no detailed results are available, e.g. on impacts of environmental measures.

12.6 Relation of EU Funding and National Instruments for Territorial Policies

Work package 4 examined the potential for conflict or complementarity between national instruments for a territorial policy on the one hand and two elements of the wider policy context, territorial development goals and EU funding programmes on the other hand.

The foundations of this report lie in the methodologies and theoretical frameworks already outlined in the previous interim reports of ESPON 2.2.2. The European Policies Research Centre (EPRC) has prepared this part of the final report on the basis of a series of country reports, which were allocated as follows:

- *Bulgaria, Hungary and Romania*: Centre for Regional Studies of the Hungarian Academy of Sciences
- *Czech Republic, Switzerland and Norway*: European Policies Research Centre
- *Estonia and Lithuania:* Centre for Regional and Tourism Research
- *Slovenia and Latvia:* Institute for Regional Development and Structural Planning
- *Poland and Slovakia*: Centre for European Regional and Local Studies, Warsaw University – EUROREG
- *Malta and Cyprus:* University Research Institute of Regional Development/ University of Social and Political Sciences of Athens.

As a 'comparative analysis of national instruments for a territorial policy', this report had the potential to cover an extremely large number and wide range of policies. This problem is exacerbated by the diverse range of countries to be covered, making broad generalisations difficult. The fourteen countries include West European, non-EU Members (Switzerland and Norway), island economies (Malta and Cyprus), East European Candidate Countries (Romania and Bulgaria) as well as the ten new Member States. The report also has the potential to cover a vast range of policies. Virtually all functions performed by government that involve public expenditure have the potential to affect regional balance (European Commission: 2004: 81). With this in mind, the report provides a summary of key policy areas with the potential to have significant spatial/territorial development impacts, particularly in relation to cohesion at the national and EU level. Key policy objectives, policy instruments and policy impacts are highlighted, using selected examples from the countries covered in the report.

As policies with an explicit spatial focus, the analysis of national regional policy was carried out in a more in-depth manner. The analysis required the close examination of a wide range of policy documentation. Particular attention had to be given to data and document availability. In many of the CEECs, recent policy, territorial and governmental reform made data collection particularly challenging, especially in the cases of Romania and Bulgaria. In order to ensure an efficient, standardised approach, checklists were produced by EPRC and sent to individual country experts. In developing the checklists, the results of an extensive literature review were used. Each of the checklists followed a standard model and aimed to

- give country experts an indication of the type of information EPRC already had;

- identify where more information is required and;
- provide suggestions of where relevant material could be obtained.

The checklists were structured around the following key themes:

- *Territorial Administrative Structure* – Details about the territorial administrative structure of the country, including the number of sub-national divisions and the responsibilities of the authorities at these levels.
- *Evolution and Objectives of Policy* - Evolution, philosophy, rational and concept of regional policy and or national spatial development policy.
- *Policy Documents and Instruments* - What are the main national regional/spatial policy instruments? Spatial targeting?
- *Implementation* - What are the national level institutional structures for regional policy?
- *Compatibility with EU policy* - To what extent have recent changes or anticipated developments in regional policy been compatible with the EU, e.g. are references made to the compatibility of these policies with EU regional policy approaches, EU-pre-accession instruments, EU State Aid Guidelines, EU spatial development objectives?

The report also draws upon the results of existing programmes of research carried out by EPRC.[131] The project makes particular reference to reviews of national regional policy, carried out for the EoRPA consortium of European governments,[132] comparative papers prepared for the 'Benchmarking Regional Policy in Europe' conference[133] and Wishlade, Yuill et al. (1996).[134] The research team has also particularly benefited from the opportunity for consultation and exchange with partners involved the ESPON 2.2.1 project, Work Package 5. This contribution has proved to be invaluable.

The checklists and subsequent cross-country analyses aimed at gaining insights into the full range of ways in which national regional policy could complement or conflict with the wider policy frameworks under review. After considering each of the key elements in turn, it is now possible to provide a better understanding of how, for instance, policy implementation and policy

[131] Of particular value have been insights and feedback provided by Professor Douglas Yuill and Professor John Bachtler.
[132] http://www.eprc.strath.ac.uk/eprc/projectLookup.cfm?ID=96
[133] Benchmarking Regional Policy in Europe Conference, Forest Hills Hotel, Loch Ard, Scotland 9-12 September 2001
[134] Wishlade, F., Yuill, D. et al. (1996)

objectives as well as policy instruments could relate to EU development frameworks.

12.7 Indicator Development

ESPON project 2.2.2. provided a first input to the ESPON database including the main indicators developed, which concentrate on the pre-accession aid policies in the new Member States and Candidate Countries[135]. Additional indicators to those provided for the ESPON database have been developed in order to conduct quantitative analysis presented in the above chapters. Up-dates to the ESPON database will be delivered in the course of the project's finalisation. A full list of policy indicators developed so far is provided in the Annex. All policy indicators refer only to the new Member States and Candidate Countries, therefore they do not include information on INTERREG measures in Norway and Switzerland. Data structure does not allow to include these two countries connection with EU policies in the framework of INTERREG into the present data base and thus into below given indicators.

Besides the policy indicators further indicators have been developed by ESPON project 2.2.2 through combining policy indicators with indicators measuring regional development potentials provided by the ESPON database. A list of spatial indicators applied from the ESPON database is provided in the Annex as well.

[135] On the problems for developing policy indicators also compare chapter 4.2.

ESPON
EUROPEAN SPATIAL PLANNING OBSERVATION NETWORK

ESPON 2.2.2
Pre-Accession Aid Impact Analysis

Final Report

Part 3: Annex

Co-financed by the European Community through the Interreg III ESPON Programme

ESPON 2.2.2
Pre-Accession Aid Impact Analysis

Final Report

Annex

This report represents the final results of a research project conducted within the framework of the ESPON 2000-2006 programme, partly financed by the ERDF through the Interreg III ESPON 2006 programme.

The Member States of the EU 25, plus Norway and Switzerland, and the EU Commission are carrying through the ESPON programme. Each country and the Commission are represented in the ESPON Monitoring Committee.

This report does not necessarily reflect the opinion of the members of the Monitoring Committee.

Information on the ESPON programme and projects can be found on www.espon.lu

The web site provides the possibility to download and examine the most recent document produced by finalised and ongoing ESPON projects.

ISBN 2-9599669-2-9
This basic report exists only in an electronic version.

Foreword

Annex A is part of the draft Final Report of the ESPON project 2.2.2 „Pre-Accession Aid Impact Analysis" delivered in August 2005. [1]

The Final Report comprises the following parts:

Part 1: Summary

Part 2: Main Part

Part 3: Annex

[1] The draft Final Report was delivered 31st March 2005.

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13 List of Indicators Developed and Datasets Provided to the ESPON Database

Table 13-1: Indicators Developed by ESPON Project 2.2.2.

Indicator	NUTS level	Countries	Years[2]	Number of indicators
Policy Indicators				
Total PHARE, PHARE CBC, ISPA and SAPARD allocation by region	NUTS 2 / NUTS 3	New Member States (without Malta and Cyprus) and Candidate Countries	1998-2000, 2001-2002	2
Total pre-accession aid spending by region	NUTS 2	Malta, Cyprus	2000-2002	1
Pre-accession aid allocation by region according to programmes	NUTS 2 / NUTS 3	New Member States and Candidate Countries	1998-2000, 2001-2002	2
Total pre-accession aid spending as % of regional GDP	NUTS 2/ NUTS 3	New Member States (without Malta and Cyprus) and Candidate Countries	1998-2000, 2001-2002	2
Total pre-accession aid spending as % of regional GDP by region	NUTS 2	Malta, Cyprus	2000-2002	1
Total pre-accession aid spending per capita	NUTS 2/ NUTS 3	New Member States (without Malta and Cyprus) and Candidate Countries	1998-2000, 2001-2002	2
Total pre-accession aid spending per capita	NUTS 2	Malta, Cyprus	2000-2002	1
Total pre-accession aid spending according to potentials addressed as % of total spending by region	NUTS 2/ NUTS 3	New Member States (without Malta and Cyprus) and Candidate Countries	1998-2000, 2001-2002	16
Total pre-accession aid spending according to potentials addressed as % of total spending by region	NUTS 2	Malta, Cyprus	2000-2002	8
Location quotients for pre-accession aid spending according to potentials addressed by region[3]	NUTS 2 / NUTS 3	New Member States and Candidate Countries	1998-2000	8

[2] Data is provided as average annual figures for the total period indicated, not for single years.

[3] Data for location quotients includes PHARE, PHARE CBC and ISPA spending 1998-2000 as well as pre-accession aid spending for Malta and Cyprus 2000-2002.

Combined policy – potential indicators				
Location quotients for pre-accession aid addressing the labour market combined with human capital index	NUTS 2 / NUTS 3	New Member States and Candidate Countries	1998-2000	1
Location quotients for pre-accession aid addressing the labour market combined with active population density	NUTS 2 / NUTS 3	New Member States and Candidate Countries	1998-2000	1
Location quotients for pre-accession aid addressing the capital supply combined with GDP per capita	NUTS 2 / NUTS 3	New Member States and Candidate Countries	1998-2000	1
Location quotients for pre-accession aid addressing urbanisation and localisation advantages combined with share of employment in agriculture/ industry/ services	NUTS 2 / NUTS 3	New Member States and Candidate Countries	1998-2000	3
Location quotients for pre-accession aid addressing the regional market potential combined with population density	NUTS 2 / NUTS 3	New Member States and Candidate Countries	1998-2000	1
Location quotients for pre-accession aid addressing the geographic position combined typology multimodal accessibility	NUTS 2 / NUTS 3	New Member States and Candidate Countries	1998-2000	1

14 List of Maps, Tables and Figures Included in the Annex

Maps

Tables

Figures

15 List of Missing Data

Potential Data	
GDP in €/in PPS per capita	Incomplete time series, e.g. no values Czech Republic 1999
Active Population	Single values missing, e.g. Bulgaria 1998, Malta 1998, Slovenia SI00D /SI00E
Indicator Multimodal Accessibility	Time series missing for all countries
Active Population by Education (HCI)	Values missing for Bulgaria 1999, no NUTS 3 data
Population Density	Single values missing, e.g. Malta 1998, single regions Poland 2001
Employment by Sector	Single values missing, e.g. Bulgaria 1998, Malta 1998, no NUTS 3 data
Unemployment Rate	Single values missing, e.g. Bulgaria 1999, Malta 1999 and 2001, data on NUTS 3 level partly not available, e.g. Slovenia 1999
R&D Expenditure	Regional data missing completely for new Member States and Candidate Countries

16 List of Abbreviations and Glossary

BG	Bulgaria
bn	Billion
BSR	Baltic Sea Region
CAP	Common Agricultural Policy
CBC	Cross-border Co-operation
CEC	European Commission
CEE	Central and Eastern Europe
CEEC	Central and Eastern European Countries
CIS	Commonwealth of Independent States
CY	Cyprus
CZ	Czech Republic
EAGGF	European Agricultural Guidance and Guarantee Fund
EE	Estonia
EEA	European Economic Area
ERDF	European Regional Development Fund
ESDP	European Spatial Development Perspective
ESF	European Social Fund
FDI	Foreign Direct Investment
FR	Final Report
FUA	Functional Urban Area
GDP	Gross Domestic Product
HCI	Human Capital Index
HU	Hungary
IR	Interim Report
ISPA	Instrument for Structural Policies for Pre-Accession
LGF	Local Grant Fund
LT	Lithuania

LV	Latvia
MEGA	Metropolitan European Growth Area
MMAP	Multimodal Accessibility Potential
MT	Malta
NDP	National Development Plan
NPAA	National Plan for the Adoption of the Acquis
NUTS	Nomenclature des unités territoriales statistiques
OP	Operational Programme
PAA	Pre-Accession Aid
PHARE	Poland-Hungary Aid for the Reconstruction of the Economy
PHARE CBC	PHARE Cross-Border Cooperation
PHARE ESC	PHARE Economic and Social Cohesion
PL	Poland
PPS	Purchasing Power Standards
R&D	Research and Development
RCE	Regional Classification of Europe
RDP	Rural Development Plan
RO	Romania
SAPARD	Special Accession Programme for Agriculture and Rural Development
SF	Structural Funds
SI	Slovenia
SIR	Second Interim Report
SK	Slovakia
SME	Small and Medium Enterprises
SPD	Single Programming Document
SPF	Small Project Funds
SWOT	Strength-Weaknesses-Opportunities-Threats

TA	Technical Assistance
TACIS	Technical Assistance to the Commonwealth of Independent States
TEN	Trans European Networks
TIA	Territorial Impact Assessment
TINA	Territorial Infrastructure Networks Assessment
TIR	Third Interim Report

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Zillmer, S. (2002): Arbeitsangebotsverhalten im Transformationsprozess – Eine empirische Analyse des polnischen Agrarsektors. In: Institutional Change in Agriculture and Natural Resources, Vol.9, Shaker, Aachen.

Zillmer, S. (2005): Mittel- und Osteuropäische Triangel als neues Wachstumszentrum? In: IRS aktuell No. 47. Erkner.

18 List of the TPG's Publications and Presentations Resulting from the Project's Research

18.1 Presentations

Gialyri-Kouka, Theano (2004): *Territorial effects of pre-accession aid*. Presentation at the workshop "Implementation of the European Spatial Development objectives in relevance to the ESPON Programme" organized by the "Greek Association of Town and Spatial Planners" in cooperation with the Greek ECP and UEHR, Athens, 17 May.

Kujath, Hans Joachim (2005): *Development Potentials of the "Triangle of Central Europe"*. Presentation held at the PlaNet CenSE Meeting, Krakow 7-8 February.

Kujath, Hans Joachim and Zillmer, Sabine (2003): *Potenziale zur wirtschaftlichen Entwicklung Brandenburgs. Ergebnisse aus dem ESPON Projekt*. Presentation at the Brandenburg State Ministry of Economics, Potsdam, 24 November.

Kujath, Hans Joachim and Zillmer, Sabine (2004): *Erfahrungen und Erwartungen aus der Sicht der transnationalen Projektgruppe bei der Durchführung des ESPON-Projekts 2.2.2*. Presentation at information seminar at the BMVBW (German Ministry for Transport, Building and Housing), Berlin, 2 March.

Kujath, Hans Joachim and Zillmer, Sabine (2004): *Development Potentials of Border Regions – Periphery or Core Regions in Transnational Networking?*

Presentation at international Conference 'The Regional Development of Ukraine in an International Context', Lviv, 24-29 June.

Kunkel, Kirsten (2004): *Spatial Impacts of Pre-Accession Aid in Relation to ESDP Objectives*. Presentation at international Conference on Research in Spatial Planning and Development in the Enlarged EU organised by SPECTRA and ARL, Bratislava, 24/25 June.

Kunkel, Kirsten (2004): *The Central and Eastern European triangle Warsaw-Budapest-Prague – considerations of EU regional policy interventions and objectives from a German perspective*. Presentation at the Warsaw Regional Forum 2004 'Central and Eastern Europe: Changing Spatial Patterns of Human Activity', organised by Institute of Geography and Spatial Organization, Polish Academy of Sciences, Warsaw 8-9 October.

Kunkel, Kirsten and Zillmer, Sabine (2003): *ESDP – Sind die Ziele der polyzentrischen Etnwicklung in Osteuropa realistisch?*. Presentation held at the Conference of the German Society for Eastern Europe (Deutsche Gesellschaft für Osteuropakunde) at the IFL Leipzig 'Region und Regionalisierung im östlichen Europa – Konzepte, Prozesse und politische Strategien', Leipzig, 5/6 Dezember.

Zillmer, Sabine (2004): *Die Perspektiven der EU-Förderung in den Kandidatenländern und Ostdeutschland*. Presentation at the ARL working group 'Chancen der EU-Osterweiterung für Ostdeutschland', Cottbus, 29 January.

Zillmer, Sabine (2004): *Erfahrungen und Erwartungen aus der Sicht der transnationalen Projektgruppe bei der Durchführung des ESPON-Projekts 2.2.2 – Räumliche Auswirkungen des 'Acquis Communitaire', der Vorbeitrittshilfen und der Phare Programme*. Presentation at the BBR information seminar 'Wer forscht was?', Bonn, 24 March.

Zillmer, Sabine (2004): *Territorial Impact Assessment in der EU-Raumentwicklung*. Presentation at Spring Workshop 'Stadt – Landschaft – Region – aktuelle Beispiele aus der Evaluationspraxis' of the Working Group 'Stadt- und Regionalentwicklung' of the DeGEval (German Society for Evaluation), Potsdam, 22/23 April.

18.2 Publications

Kujath, Hans Joachim (2005): Metropolräume in Mittel- und Osteuropa. In: IRS aktuell, No. 47, April, Erkner.

Kujath, Hans Joachim and Zillmer, Sabine (2004): *Chancen und Herausforderungen aus raumpolitischer Sicht.* In: IRS aktuell, No.43, April, Erkner.

Kunkel, Kirsten (2004): *Slowenien – klein aber integrativ*. In: IRS aktuell, No.43, April, Erkner.

Kunkel, Kirsten (2005): *Metropolregion Warschau zwischen Polarisierung und Integration - eine Illustration aus der EU-Strukturförderung*. In: IRS aktuell, No. 47, forthcoming April 2005, Erkner.

Kunkel, Kirsten and Zillmer, Sabine (2004): *Zur Regionalstruktur der ostmitteleuropäischen Betrittsländer – Potenziale und Handlungserfordernisse.* In: IRS aktuell, No.43, April, Erkner.

Kunkel, Kirsten; McMaster, Irene and Zillmer, Sabine (2004): *Regional Conditions in the Candidate Countries in Relation to ESDP Objectives.* Working Paper, Erkner, Leibniz-Institut für Regionalentwicklung und Strukturplanung, 2004 (http://www.irs-net.de/download/ESDP.pdf).

Zillmer, S. (forthcoming): *Perspektiven der EU-Förderung in den neuen Mitgliedsländern und Ostdeutschland auf der Grundlage der regionalen Humankapitalausstattung*. Paper to presentation at the ARL working group 'Chancen der EU-Osterweiterung für Ostdeutschland', Cottbus, 29 January.

Zillmer, S. (forthcoming): *Räumliche Wirkungsanalysen europäischer Vorbeitrittshilfen*. Paper to presentation at Spring Workshop 'Stadt – Landschaft – Region – aktuelle Beispiele aus der Evaluationspraxis' of the Working Group 'Stadt- und Regionalentwicklung' of the DeGEval (German Society for Evaluation), Potsdam, 22/23 April.

Zillmer, Sabine (2005): *Mittel- und osteuropäisches Triangel als neues Wachstumszentrum?* In: IRS aktuell, No. 47, forthcoming April 2005, Erkner.

Zillmer, Sabine; Kunkel, Kirsten (2004): *Spatial Impacts of Pre-Accession Aid in Relation to ESDP Objectives.* In: Central European Journal of Architecture and Planning, Spectra Centre of Excellence, Paper to presentation held at international conference 'Research in Spatial Planning and Development in the Enlarged EU' in Bratislava, June 24-25, 2004, Vol.8, No.2/2004, p.16-21.

19 Indication of Performance Indicators Achieved

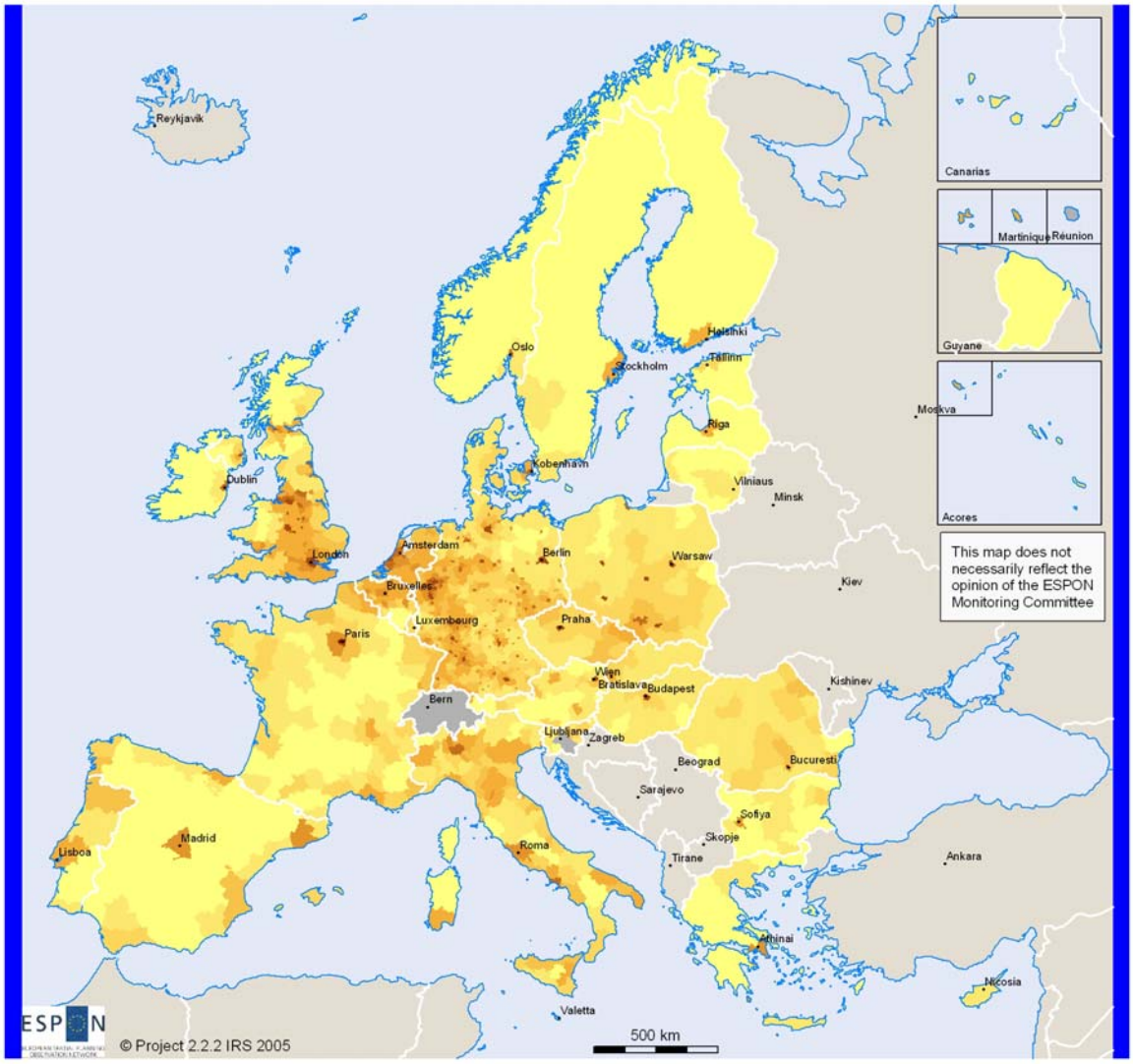
Table 19-1: Number of Performance Indicators Achieved

Number of spatial indicators employed in addition to priority 1: in total covering the EU territory more than the EU territory	51
Number of spatial indicators applied: in total covering the EU territory more than the EU territory	9
Number of EU maps produced	29
Number of Funds fully addressed	4
Number of Figures on the institutional related to the Funds in their policy context	0
Number of ESDP policy aims mentioned in the ESDP reference addressed by Funds investigated	4

20 Additional Maps, Graphs and Tables not Included in the Core Text of the Report

20.1 Maps on Regional Potentials

Map 20-1: Active Population Density, 1998



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Origin of data: EU 15 and CC's: Eurostat,
Norway and Switzerland: National Statistical Offices

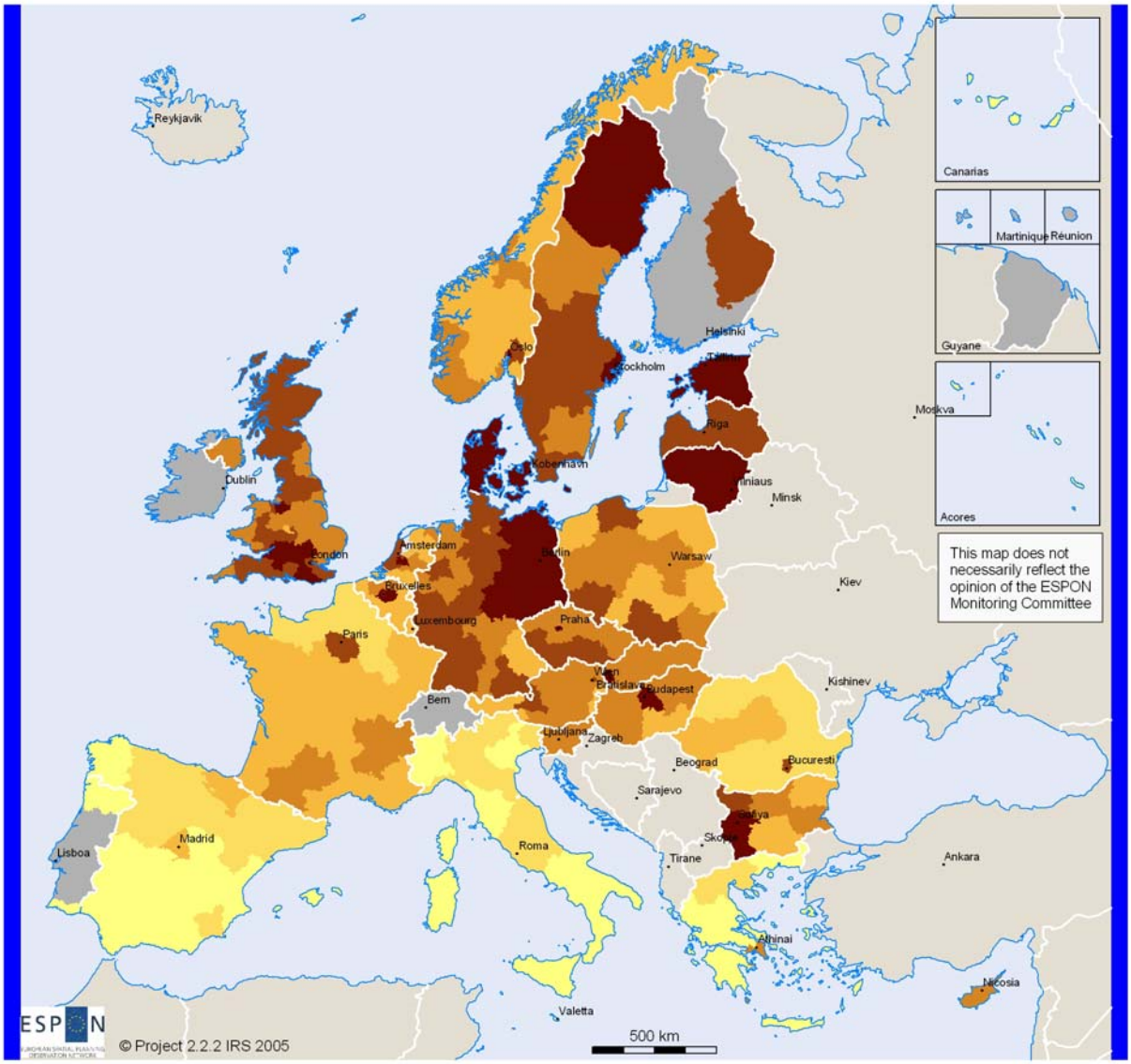
Regional level: NUTS 3

Source: ESPON Database

Active population per km², 1998

1 - 25	251 - 500
26 - 50	501 - 1000
51 - 75	1001 - 2500
76 - 100	2501 - 5000
101 - 250	5001 - 10568
	no value

Map 20-2: Human Capital Index, 1999



© EuroGeographics Association for the administrative boundaries

Origin of data: EU 15 and CC's: Eurostat, Norway and Switzerland: National Statistical Office

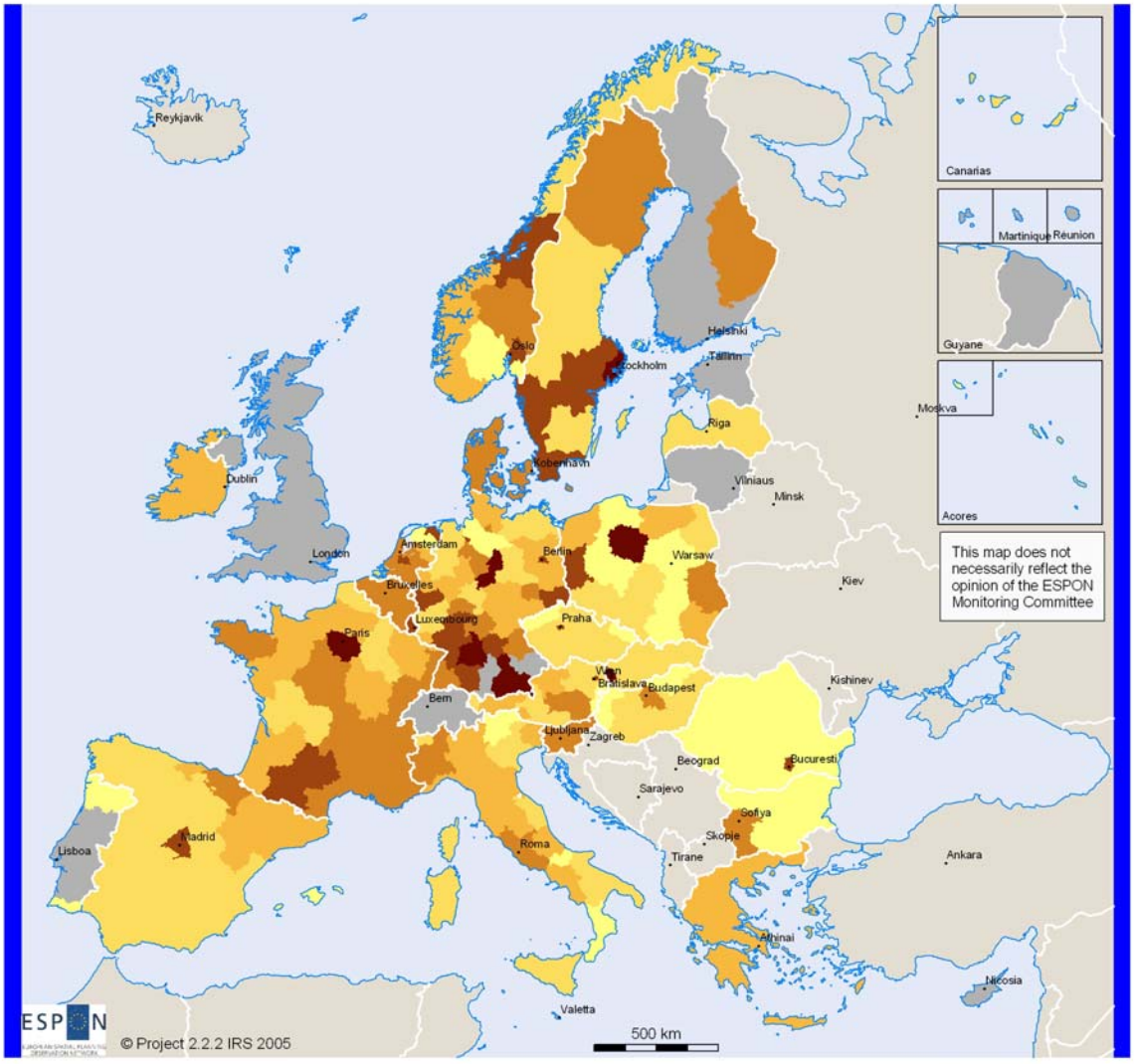
Regional level: NUTS 2, Norway NUTS

Source: ESPON Databas

Human Capital Index, 1999 (according to Derenbach)

4 - 13	20
14 - 16	21 - 22
17 - 19	23 - 25
	no value

Map 20-3: R&D Employment



RnD Employment
(RnD full-time equivalent as % of total employment)

0.0 - 0.3	1.0 - 1.5
0.4 - 0.6	1.6 - 2.3
0.7 - 0.9	2.4 - 3.5
	no value

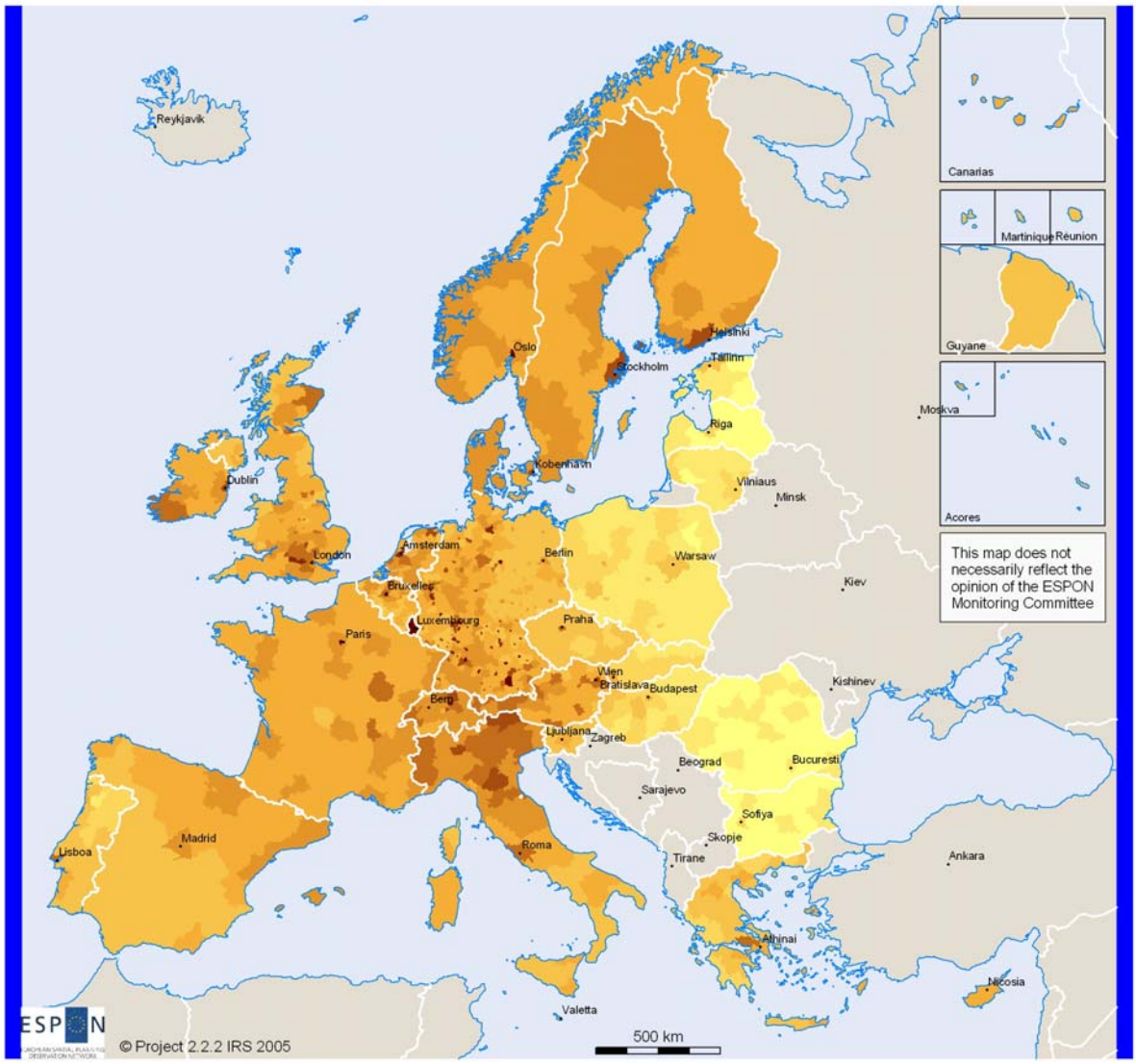
1998: AT, BE, DK, FI, FR, NL, SI,
1999: DE, GR, LV, NO, PL, PT, SE,
2000: BG, CZ, HU, IE, IT, LU, RO, SK,

Origin of data: EU 15 and CC's: Eurostat,
Norway and Switzerland: National Statistical Offices

Regional level: NUTS 2

Source: ESPON Database

Map 20-4: GDP in PPS per Inhabitant, 1999



GDP in PPS per inhabitant, 1999

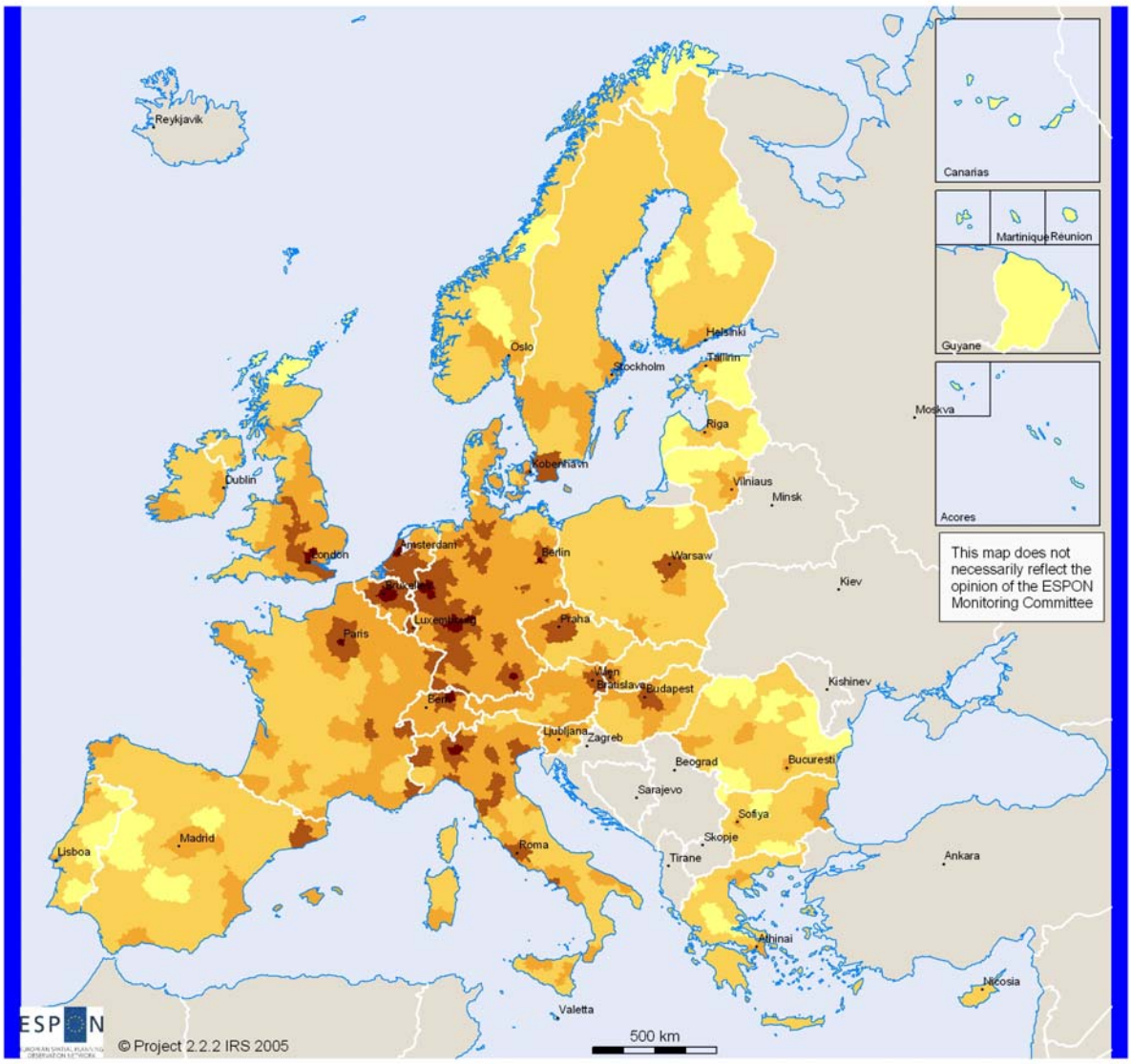
2936 - 5000	20001 - 25000
5001 - 7500	25001 - 30000
7501 - 10000	30001 - 35000
10001 - 15000	35001 - 40000
15001 - 20000	40001 - 102444

Origin of data: EU 15 and CC's: Eurostat, Norway and Switzerland: National Statistical Offices

Regional level: NUTS 3

Source: ESPON Database

Map 20-5: Multimodal Accessibility Potential , 2001



Origin of data: EU 15 and CC's: Eurostat,
Norway and Switzerland: National Statistical Offices

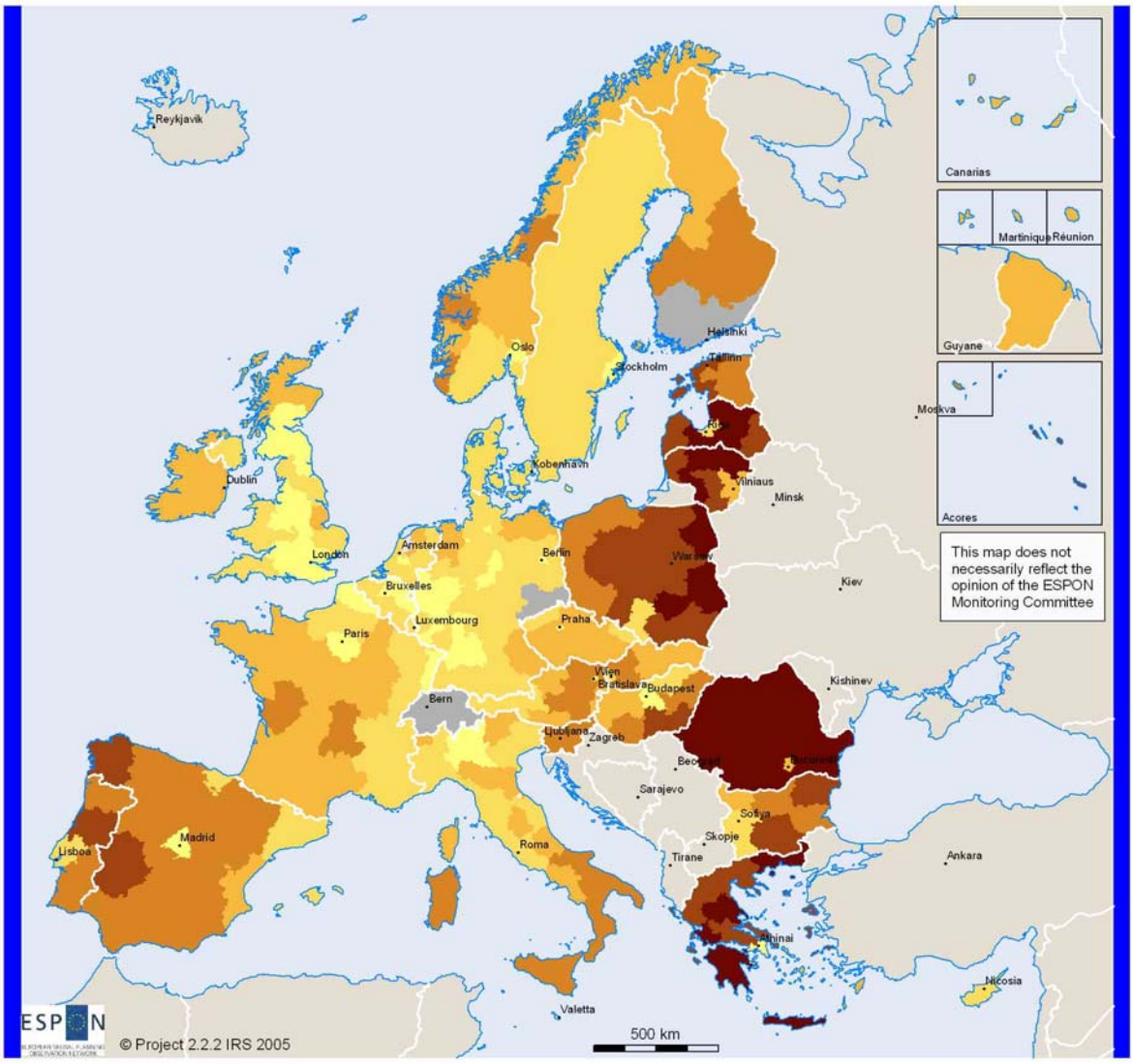
Regional level: NUTS 3

Source: ESPON Database

Typology multimodal accessibility potential, ESPON project 2.1.1, 2001

- very central
- central
- intermediate
- peripheral
- very peripheral

Map 20-6: Share of Agricultural Employment, 1998



Origin of data: EU 15 and CC's: Eurostat,
Norway and Switzerland: National Statistical Offices

Regional level: NUTS 2;
EE, LV, LT, NO: NUTS 3

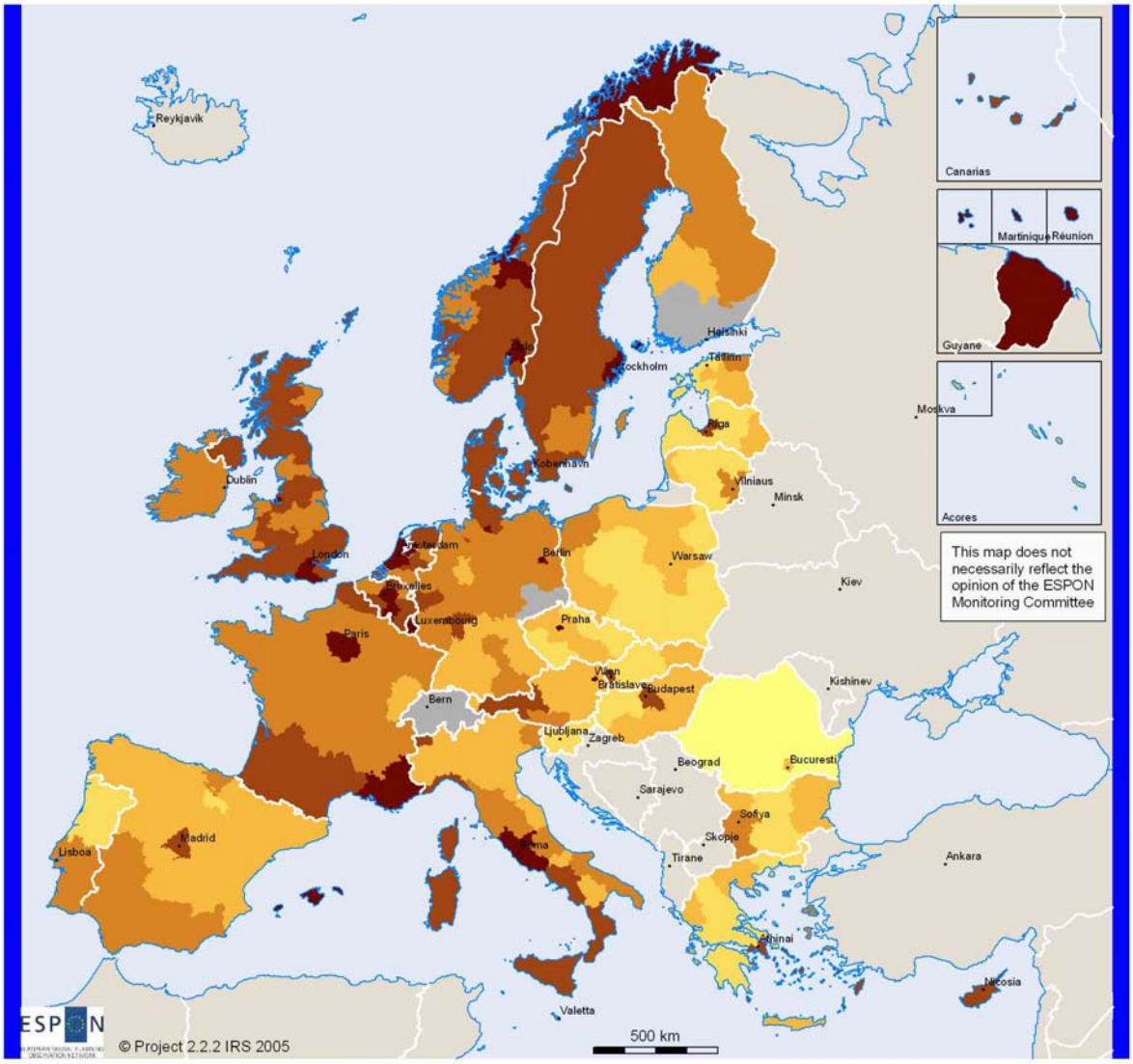
Source: ESPON Database

Share of employment in agriculture, in %, 1998*

0 - 2	10 - 15
3 - 5	16 - 28
6 - 9	29 - 57
	no value

* Norway 2001

Map 20-7: Share of Service Sector Employment, 1998



Share of employment in services, in %, 1998*

21 - 33	60 - 67
34 - 50	68 - 74
51 - 59	75 - 87
	no value

* Norway 2001

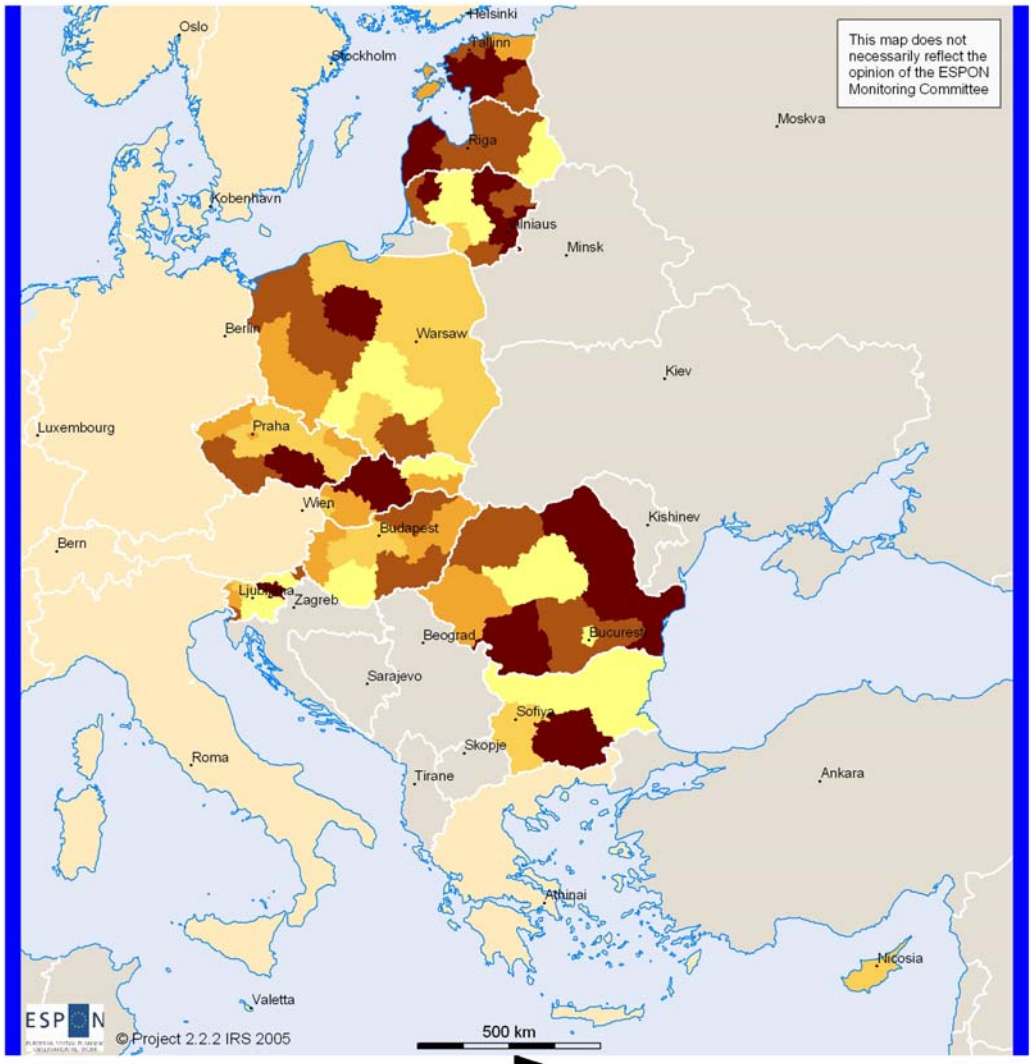
Origin of data: EU 15 and CC's: Eurostat, Norway and Switzerland: National Statistical Offices

Regional level: NUTS 2; EE, LV, LT, NO: NUTS 3

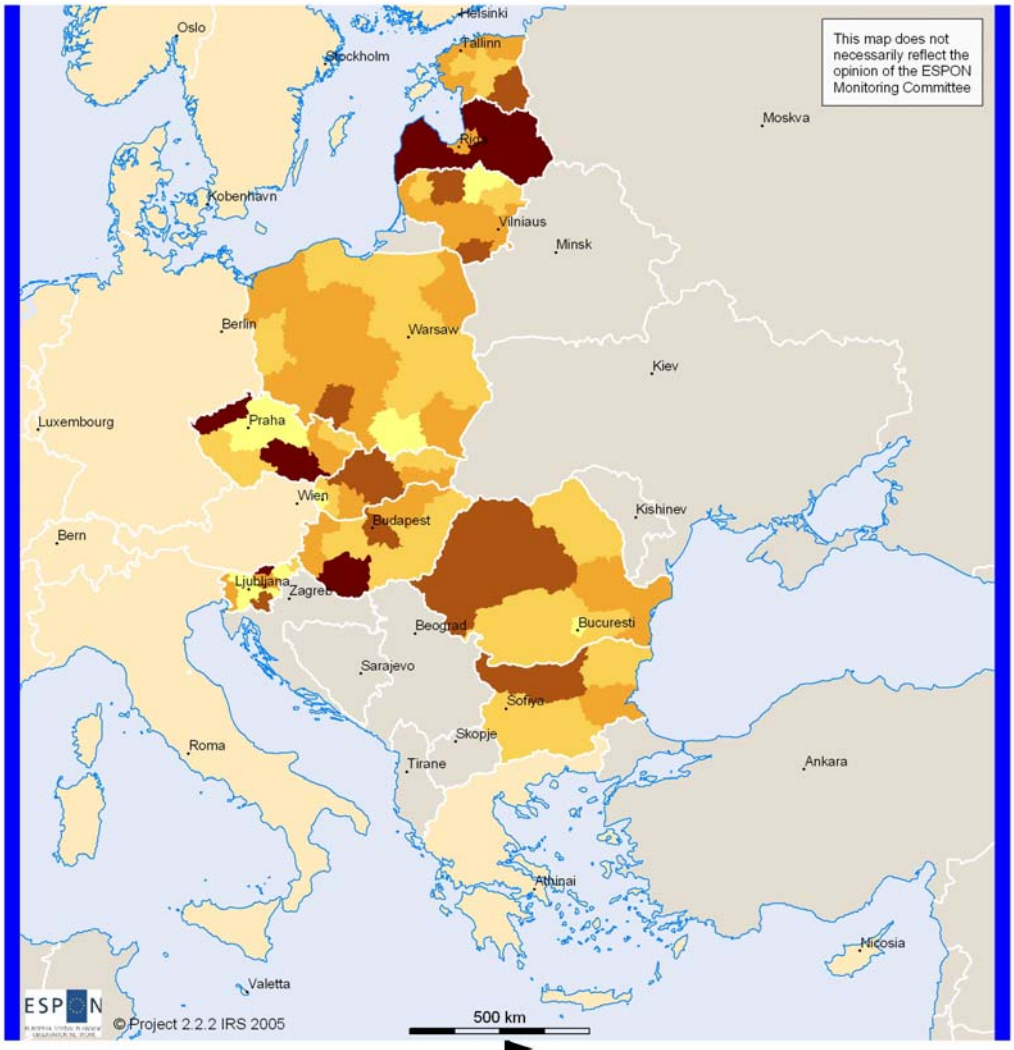
Source: ESPON Database

20.2 Maps on Regional Pre-Accession Aid Spending

Map 20-8: Pre-Accession Aid Addressing the Environmental Quality, 1998-2000



Map 20-9: Pre-Accession Aid Addressing the Environmental Quality, 2001-2002



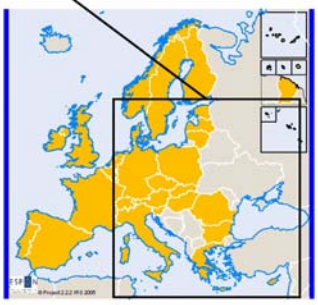
Origin of data: EU 15 and CC's: Eurostat, Norway and Switzerland: National Statistical Offices

Regional level: NUTS 2; except: Estonia, Latvia, Lithuania, Slovenia, Slovakia: NUTS 3

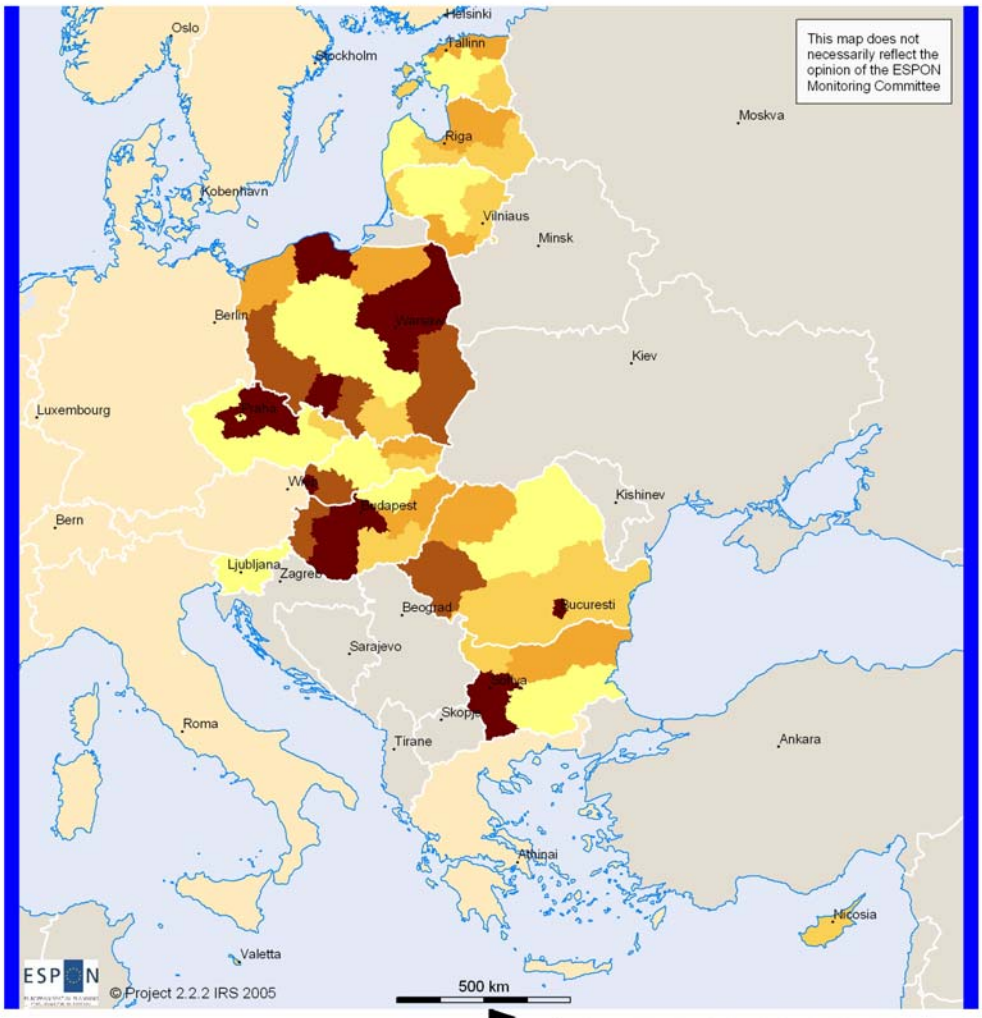
Source: ESPON Database

Share of pre-accession aid addressing the environmental quality, in % of total pre-accession aid, 20001-2002

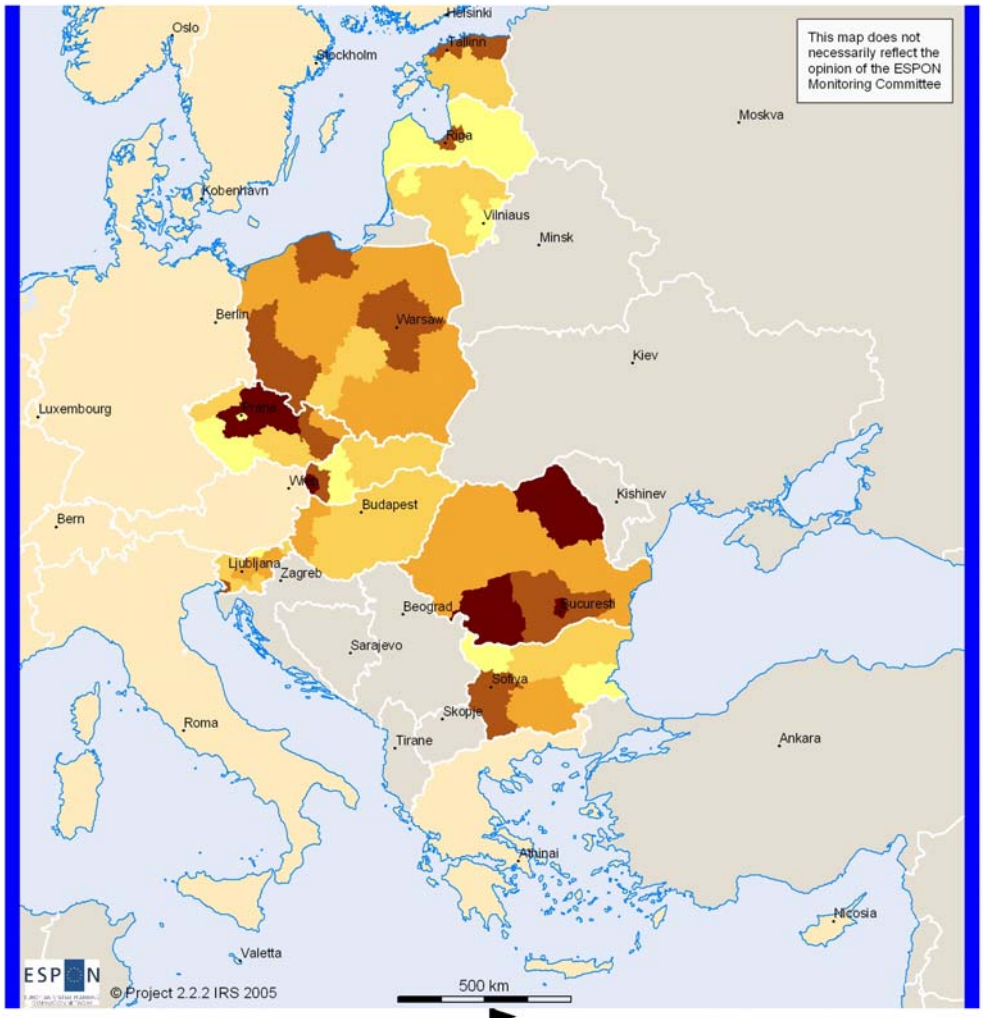
- 0.0
- 0.1 - 25.0
- 25.1 - 50.0
- 50.1 - 75.0
- 75.1 - 100.0



Map 20-10: Pre-Accession Aid Addressing the Geographic Position, 1998-2000



Map 20-11: Pre-Accession Aid Addressing the Geographic Position, 2001-2002



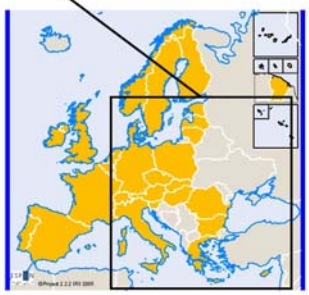
Origin of data: EU 15 and CC's: Eurostat, Norway and Switzerland: National Statistical Offices

Regional level: NUTS 2; except: Estonia, Latvia, Lithuania, Slovenia, Slovakia: NUTS 3

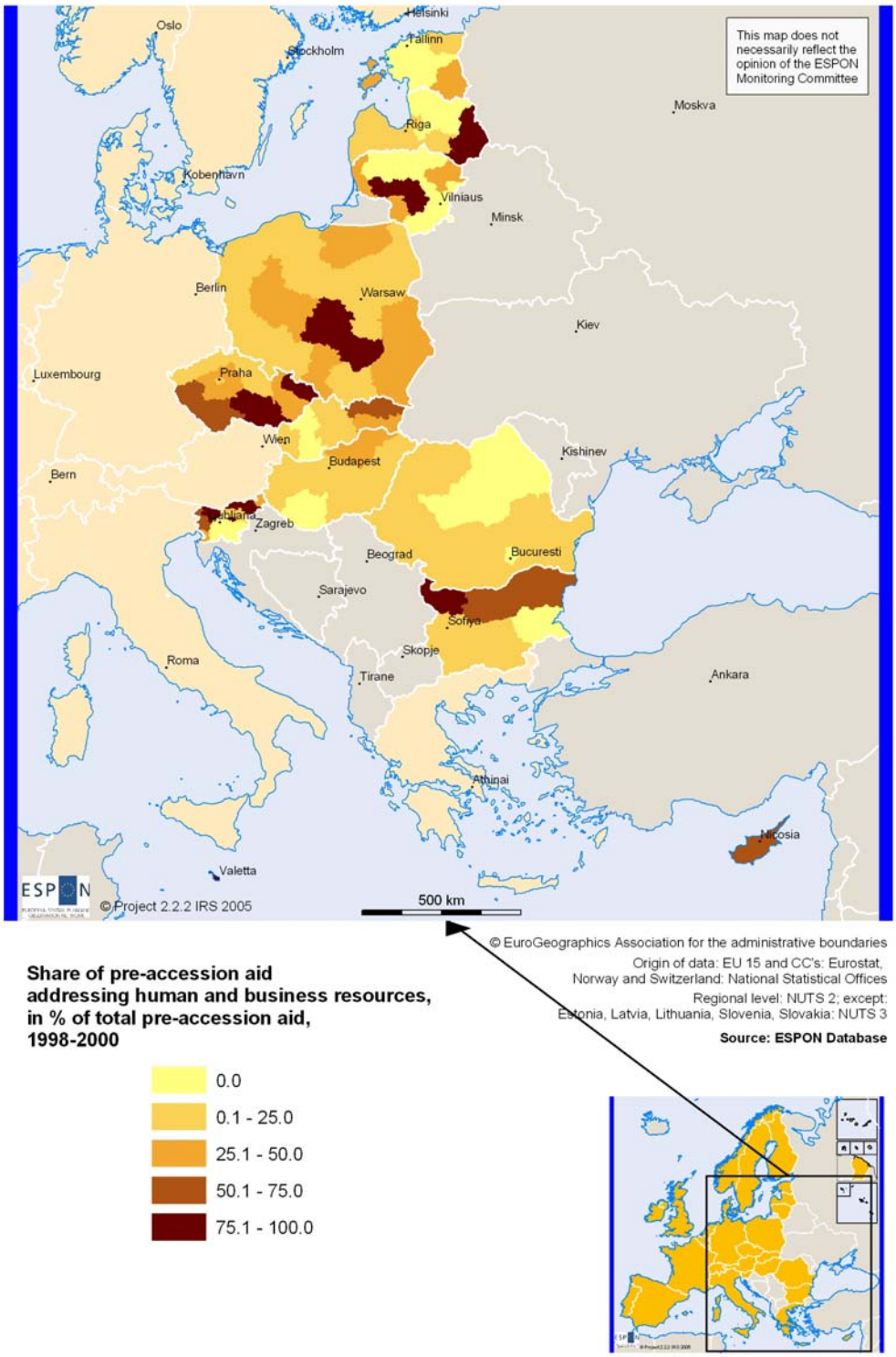
Source: ESPON Database

Share of pre-accession aid addressing the geographic position, in % of total pre-accession aid, 20001-2002

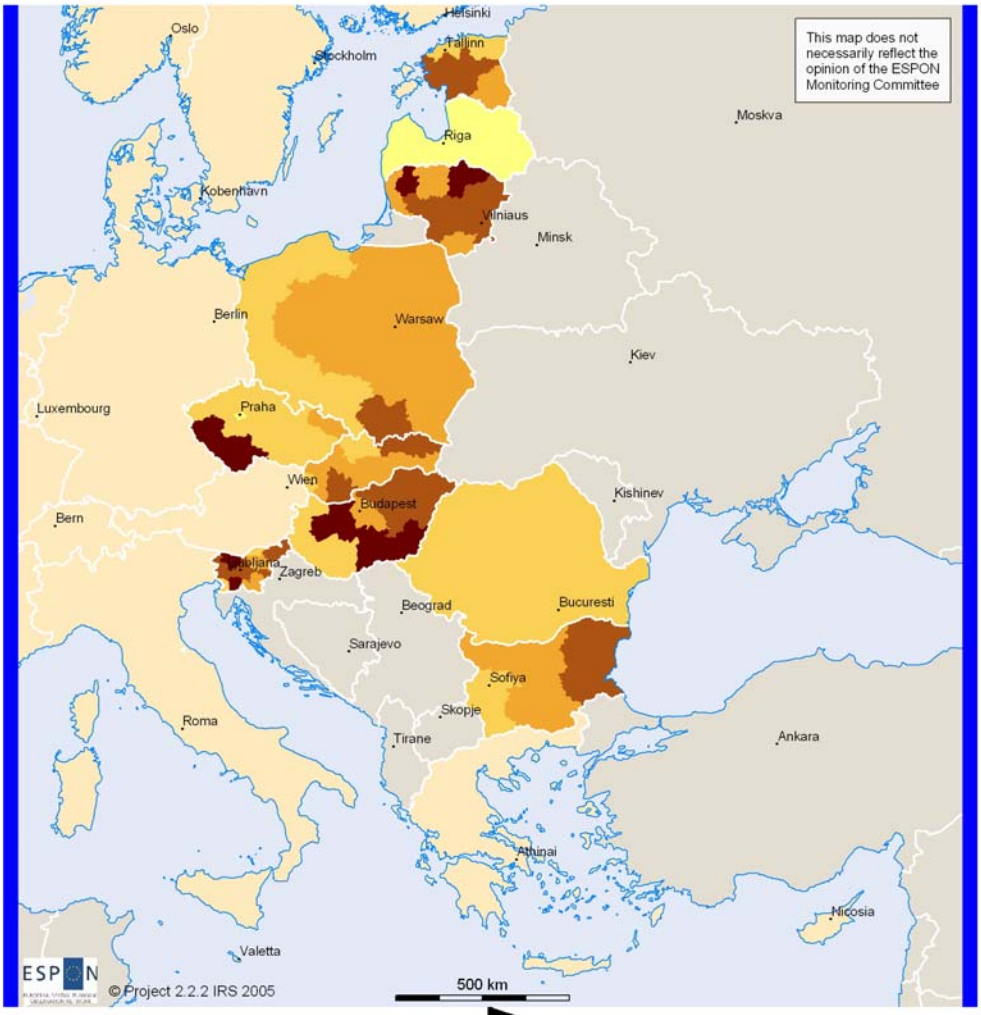
- 0.0
- 0.1 - 25.0
- 25.1 - 50.0
- 50.1 - 75.0
- 75.1 - 100.0



Map 20-12: Pre-Accession Aid Addressing Human and Business Resources, 1998-2000



Map 20-13: Pre-Accession Aid Addressing Human and Business Resources, 2001-2002



Origin of data: EU 15 and CC's: Eurostat, Norway and Switzerland: National Statistical Offices
Regional level: NUTS 2; except: Estonia, Latvia, Lithuania, Slovenia, Slovakia: NUTS 3

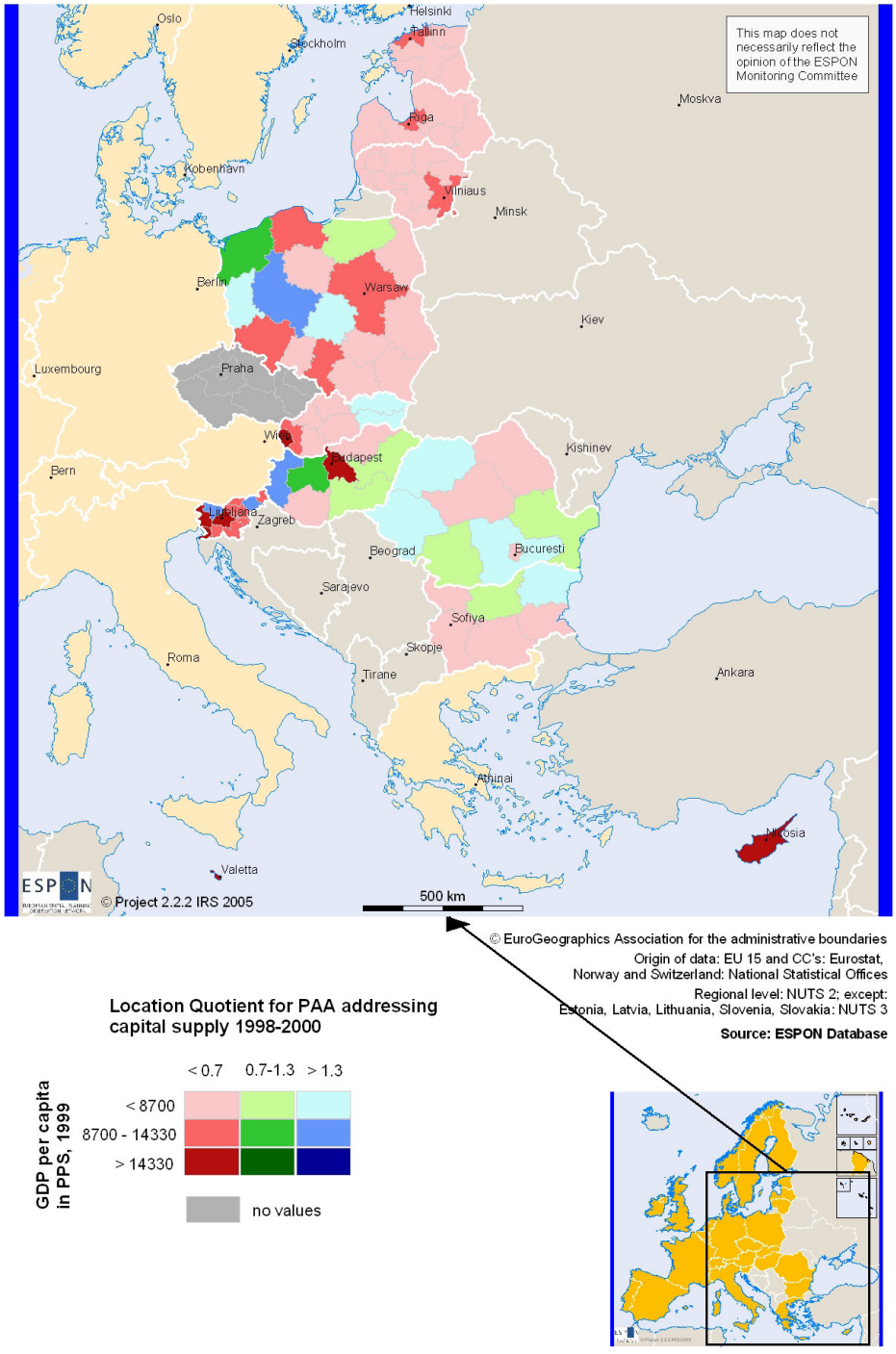
Source: ESPON Database

Share of pre-accession aid addressing human and business resources, in % of total pre-accession aid, 20001-2002

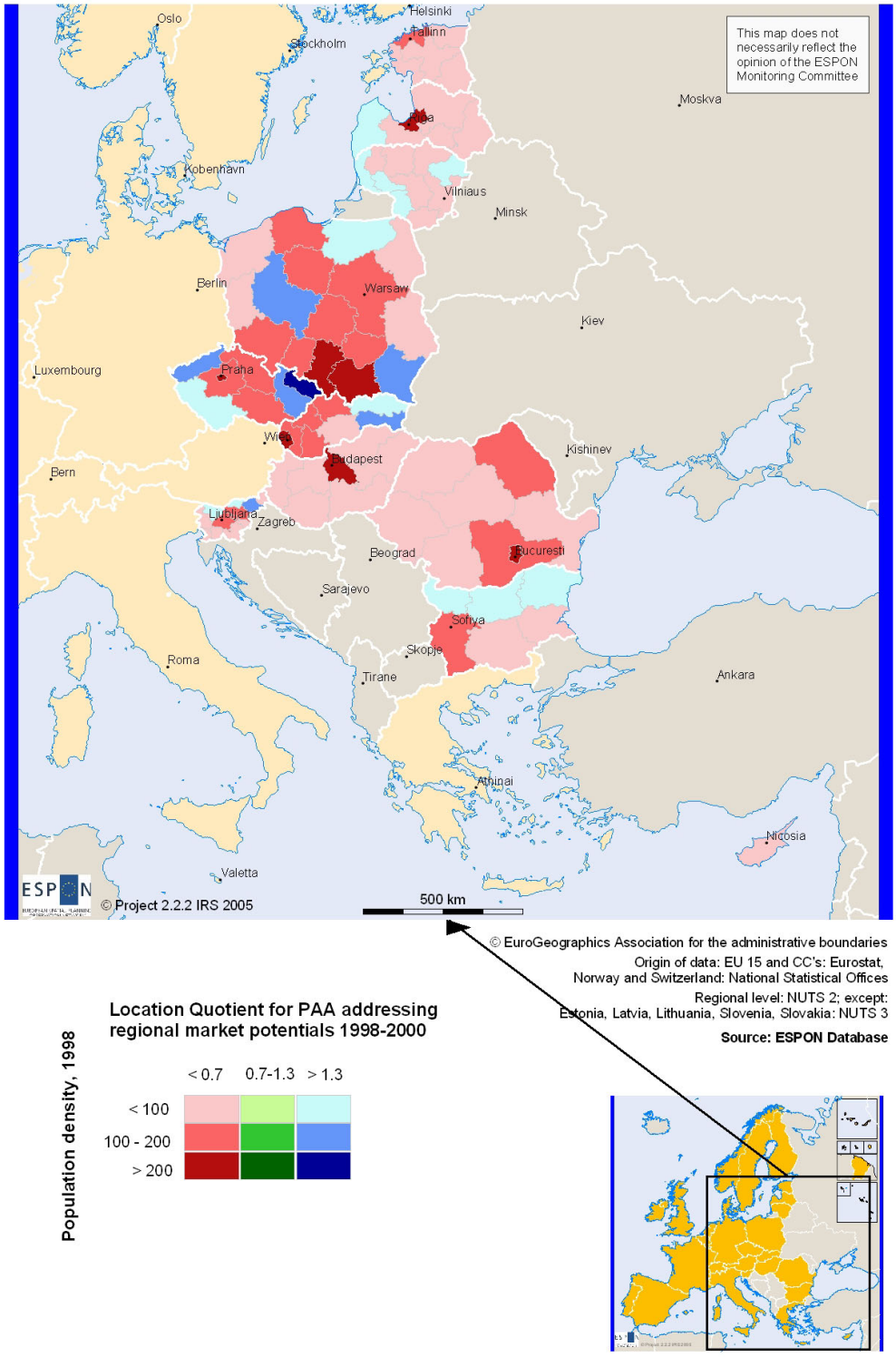
- 0.0
- 0.1 - 25.0
- 25.1 - 50.0
- 50.1 - 75.0
- 75.1 - 100.0

20.3 Maps on Location Quotients

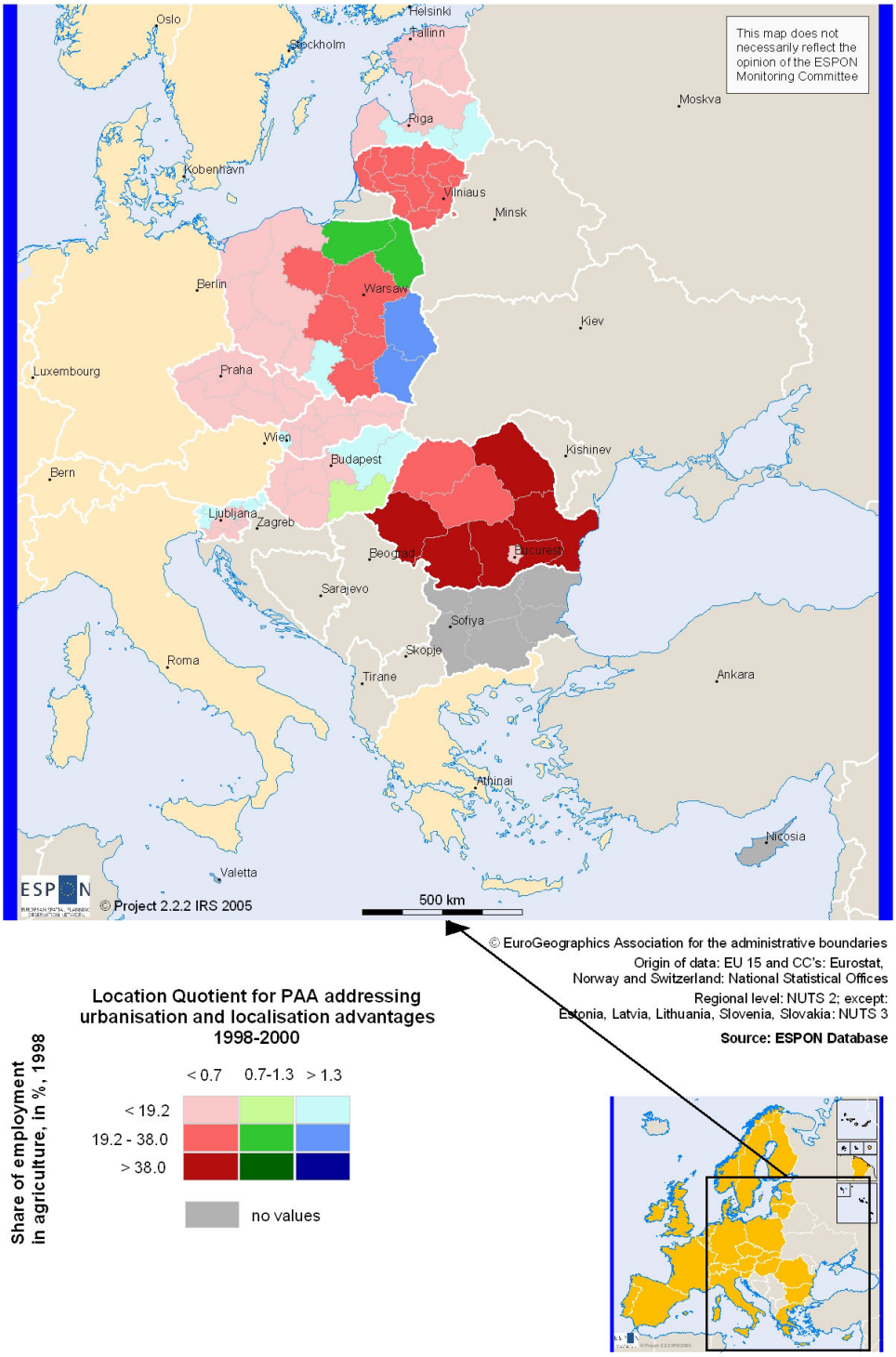
Map 20-14: Location Quotient of Pre-Accession Aid Addressing the Capital Supply 1998-2000 and GDP per Capita 1999



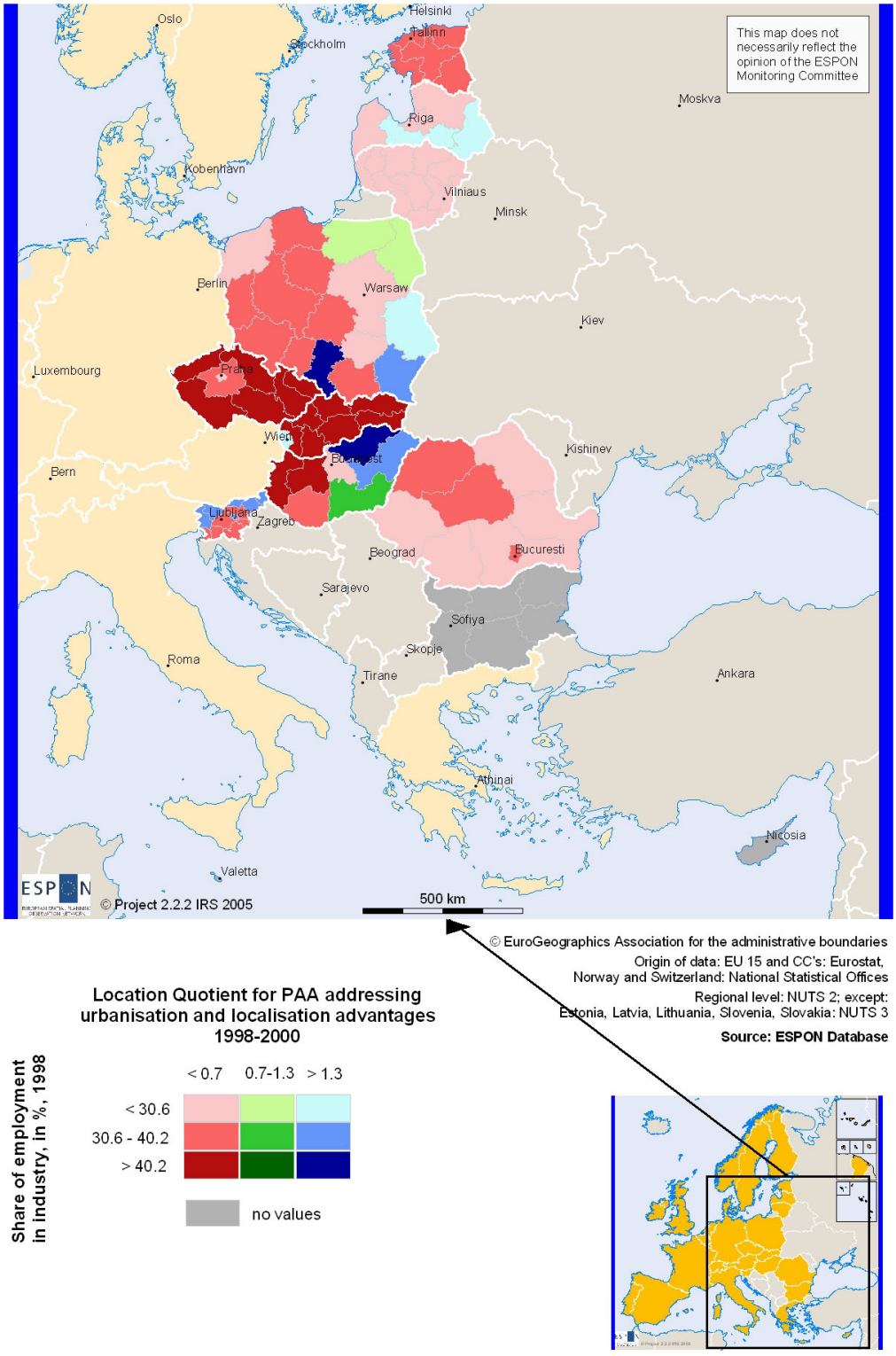
Map 20-15: Location Quotient of Pre-Accession Aid Addressing the Regional Market Potential 1998-2000 and Population Density 1998



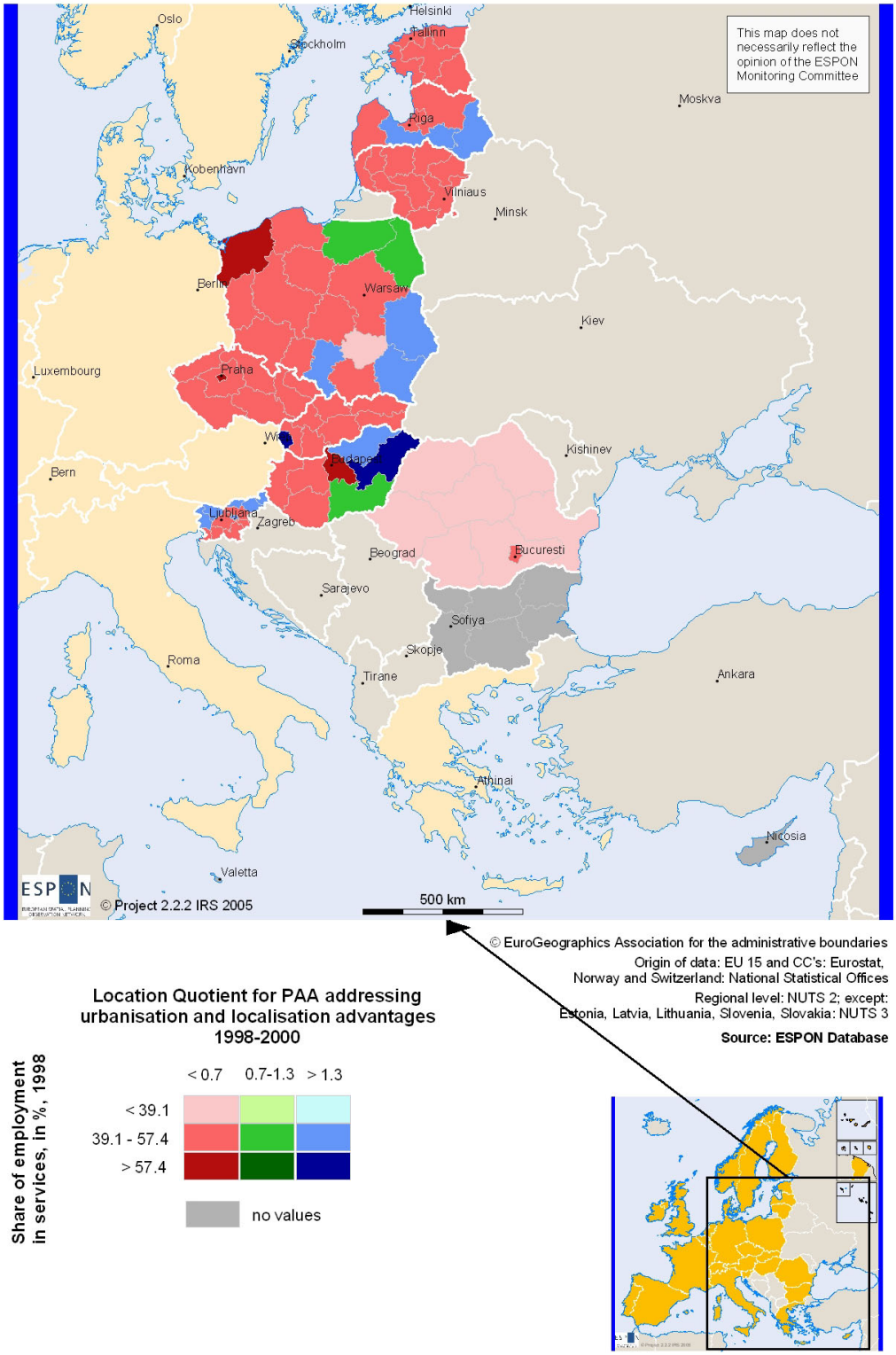
Map 20-16: Location Quotient of Pre-Accession Aid Addressing Urbanisation and Localisation Advantages 1998-2000 and Share of Agricultural Employment 1998



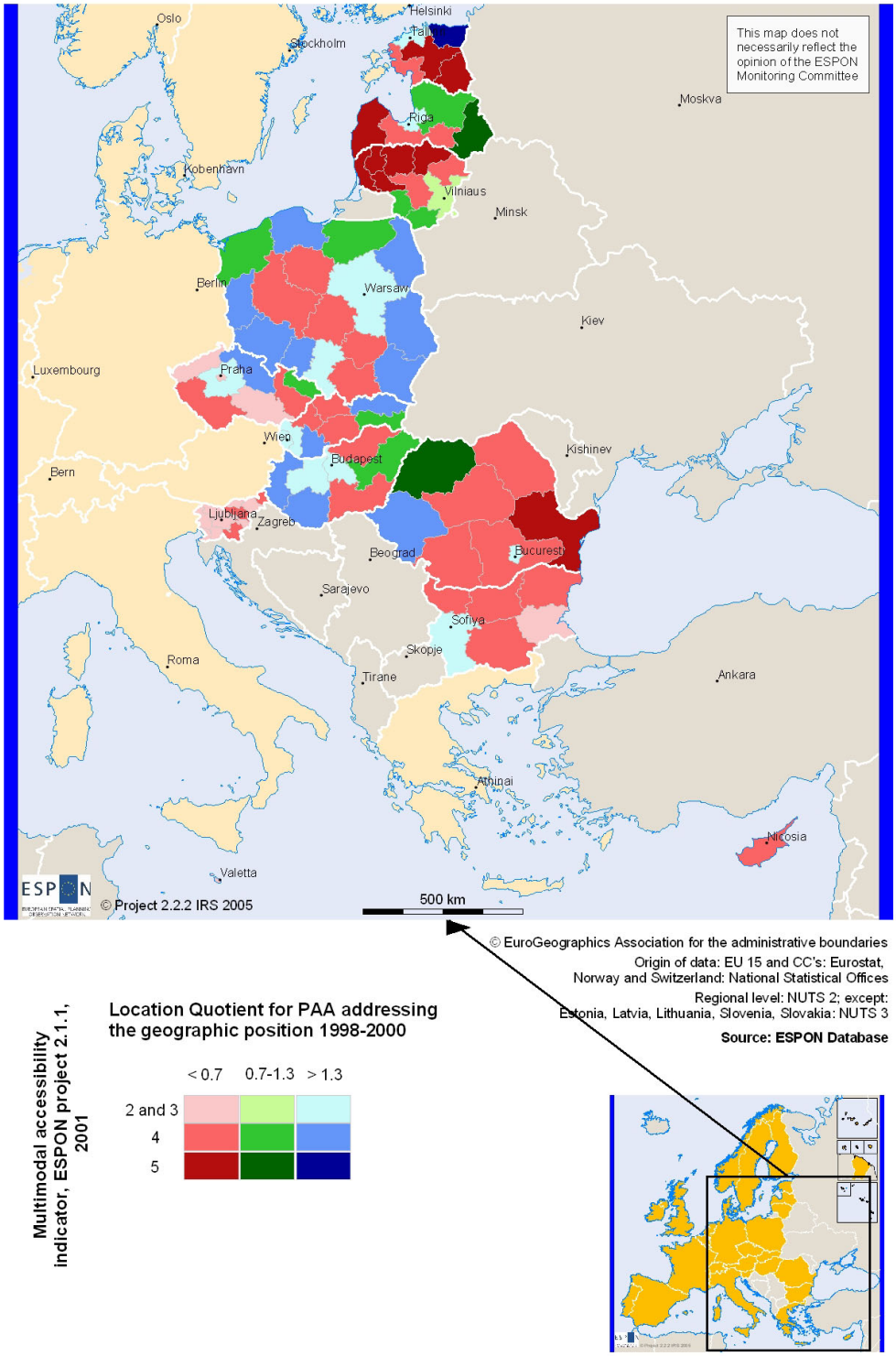
Map 20-17: Location Quotient of Pre-Accession Aid Addressing Urbanisation and Localisation Advantages 1998-2000 and Share of Employment in Industry 1998



Map 20-18: Location Quotient of Pre-Accession Aid Addressing Urbanisation and Localisation Advantages 1998-2000 and Share of Employment in Services 1998

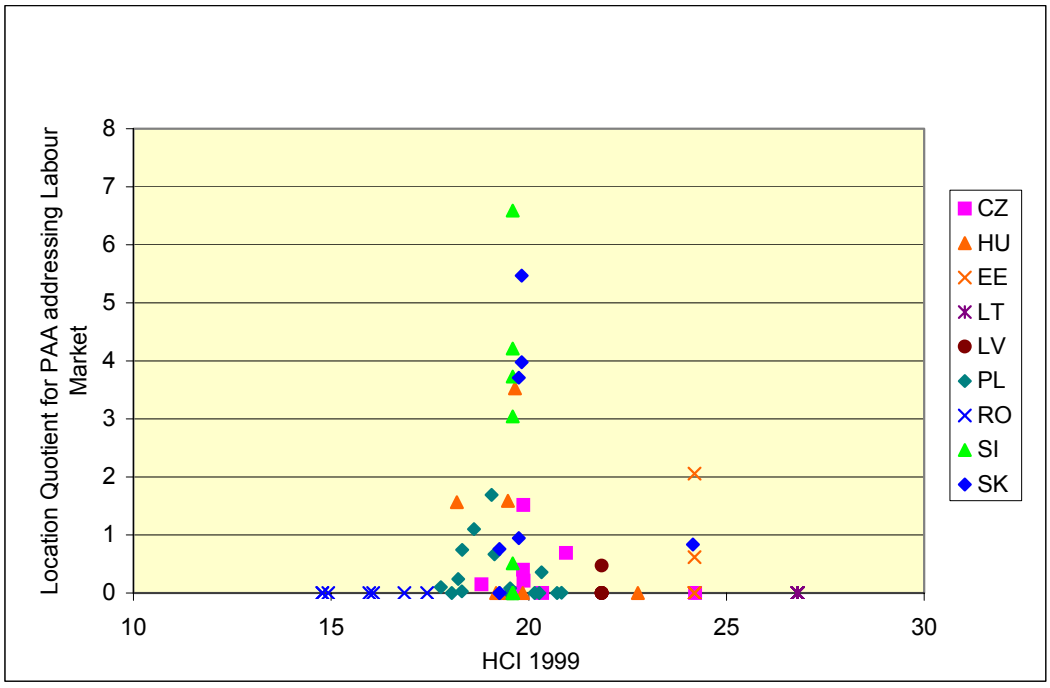


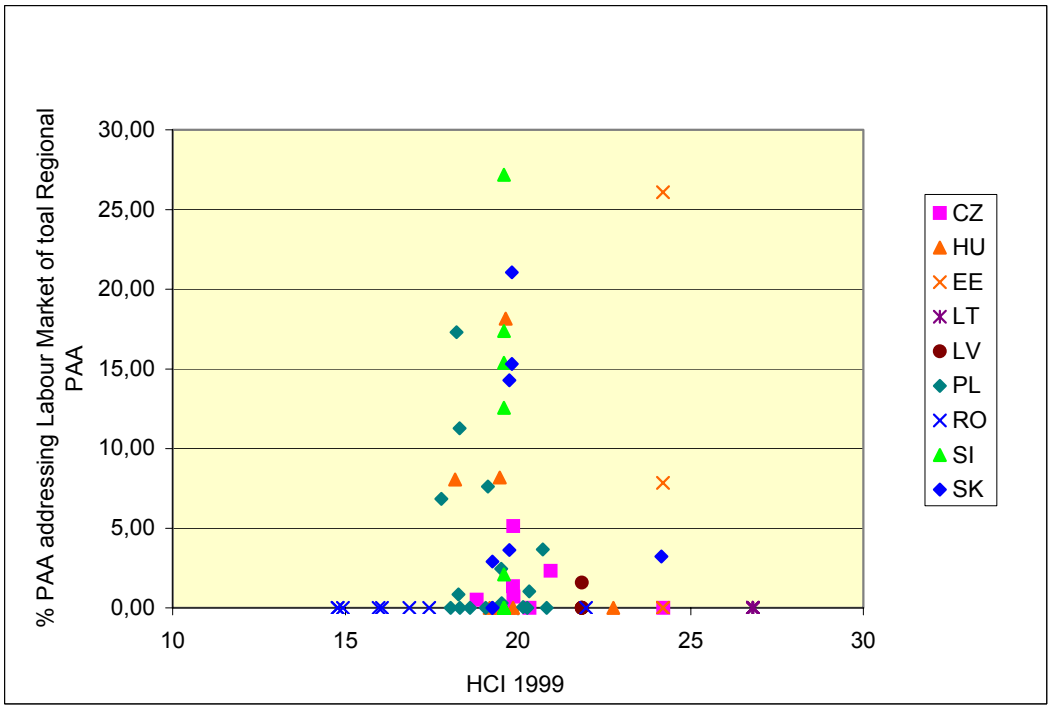
Map 20-19: Location Quotient of Pre-Accession Aid Addressing the Geographic Position 1998-2000 and Multimodal Accessibility Potential 2001



20.4 Figures

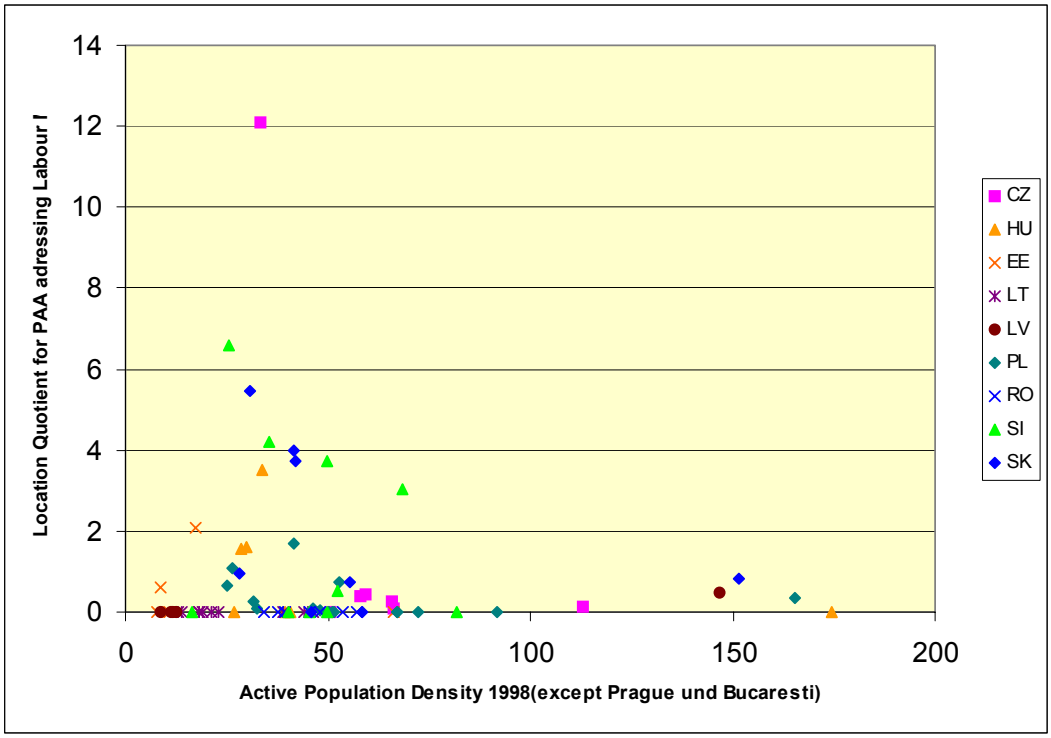
Figure 20-1: Human Capital Index 1999 Related to (a) Location Quotient of Pre-Accession Aid Addressing the Labour Market between 1998 and 2000 and (b) % of Pre-Accession Aid Addressing the Labour Market as Share of Total Regional Pre-Accession Aid between 1998 and 2000

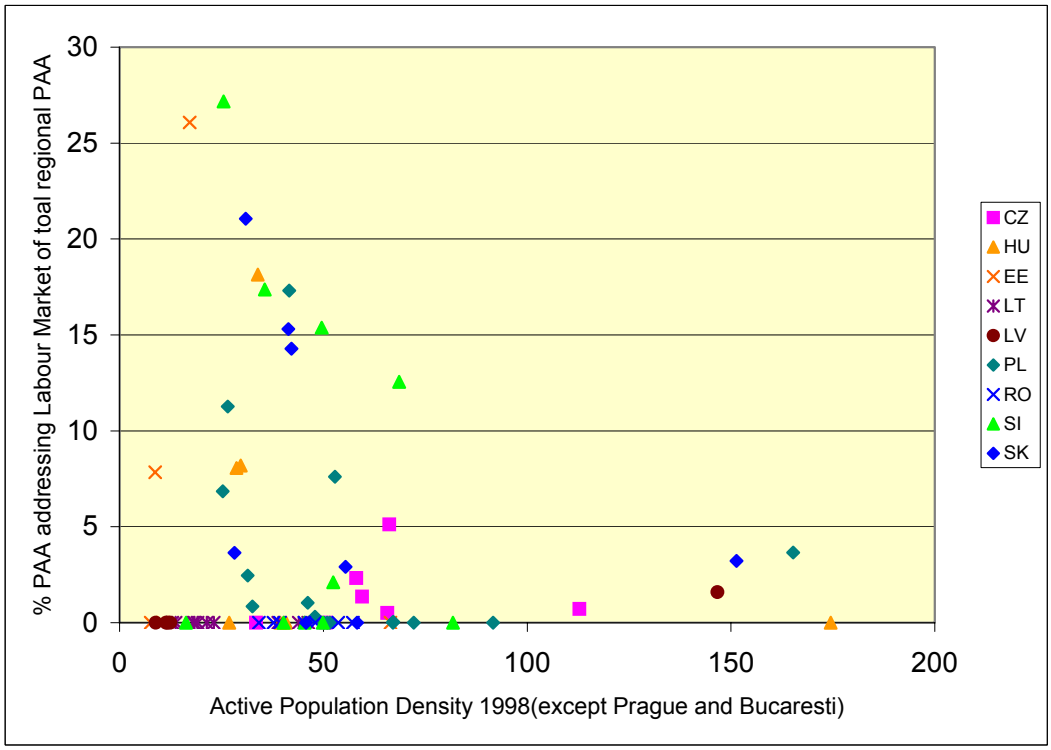




Source: IRS calculation, ESPON Database, Newcronos

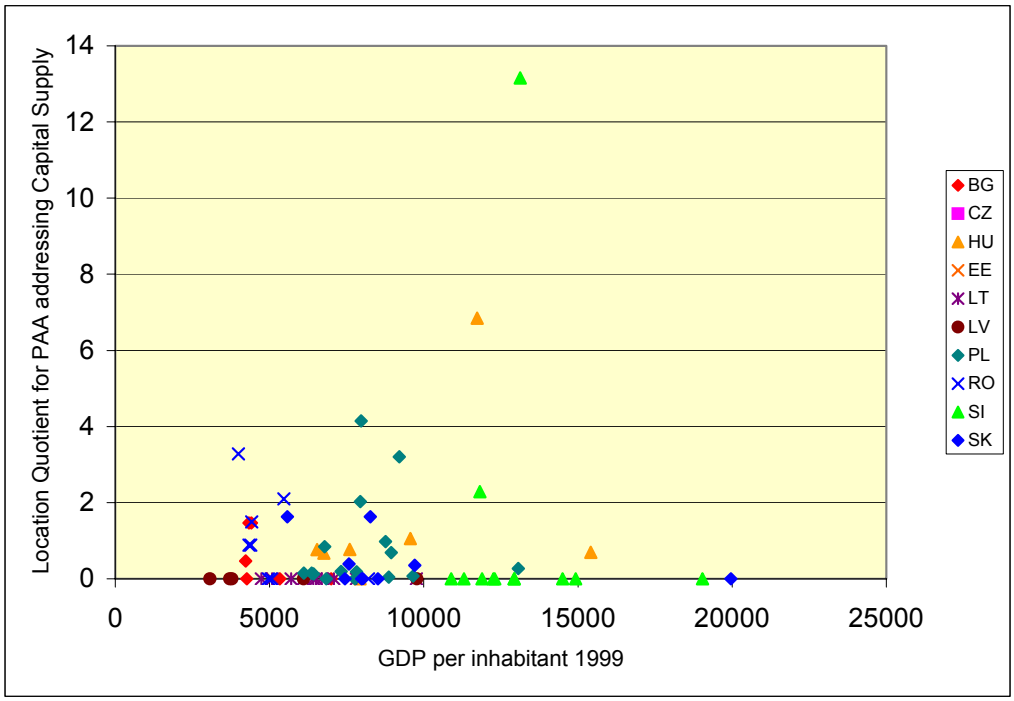
Figure 20-2: Active Population Density 1998 Related to (a) Location Quotient of Pre-Accession Aid Addressing the Labour Market between 1998 and 2000 and (b) % of Pre-Accession Aid Addressing the Labour Market as Share of Total Regional Pre-Accession Aid between 1998 and 2000

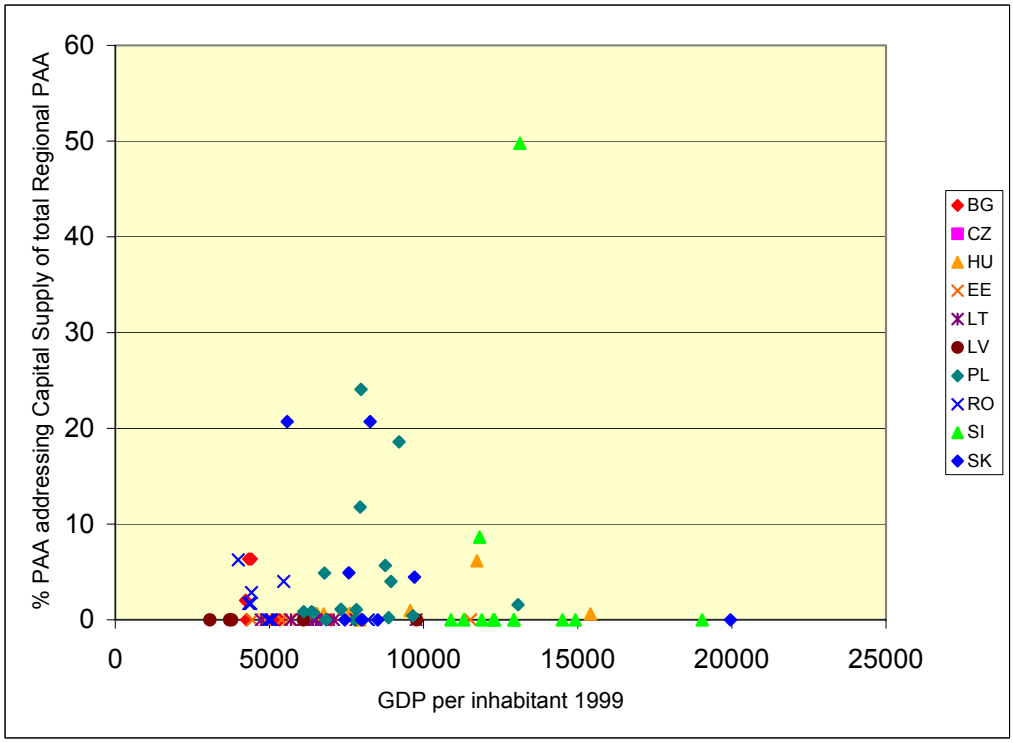




Source: IRS calculation, ESPON Database, Newcronos

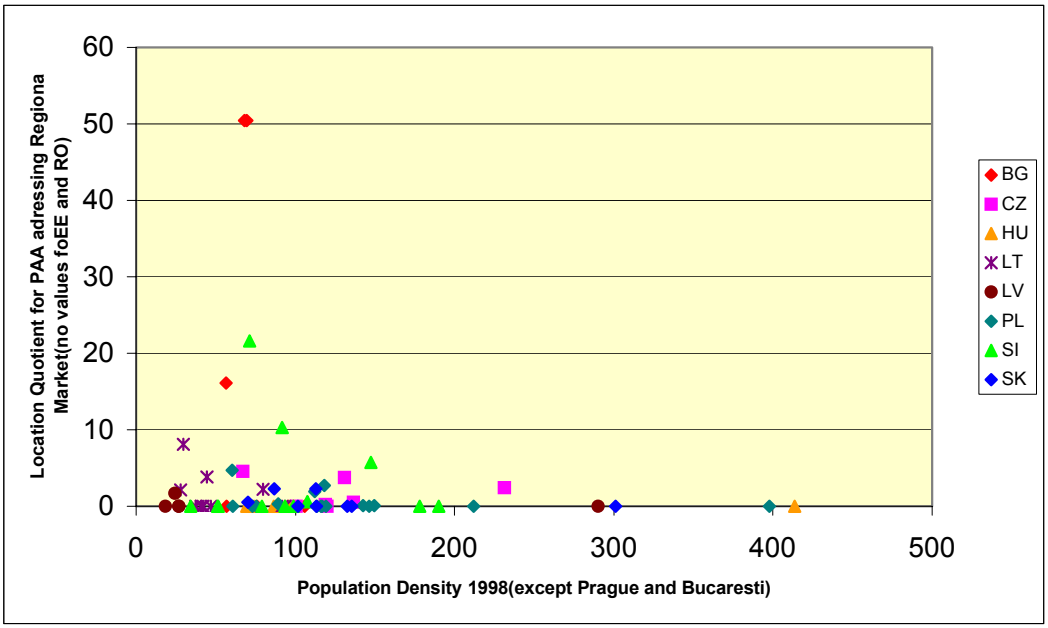
Figure 20-3: GDP per Capita 1999 Related to (a) Location Quotient of Pre-Accession Aid Addressing the Capital Supply between 1998 and 2000 and (b) % of Pre-Accession Aid Addressing the Capital Supply as Share of Total Regional Pre-Accession Aid between 1998 and 2000

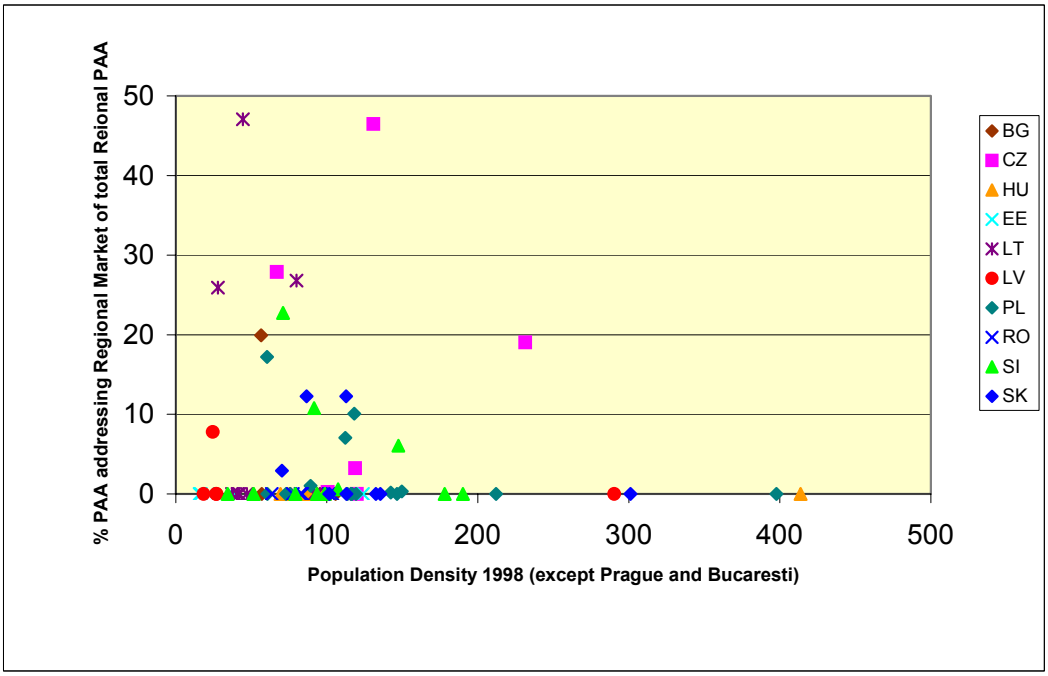




Source: IRS calculation, ESPON Database

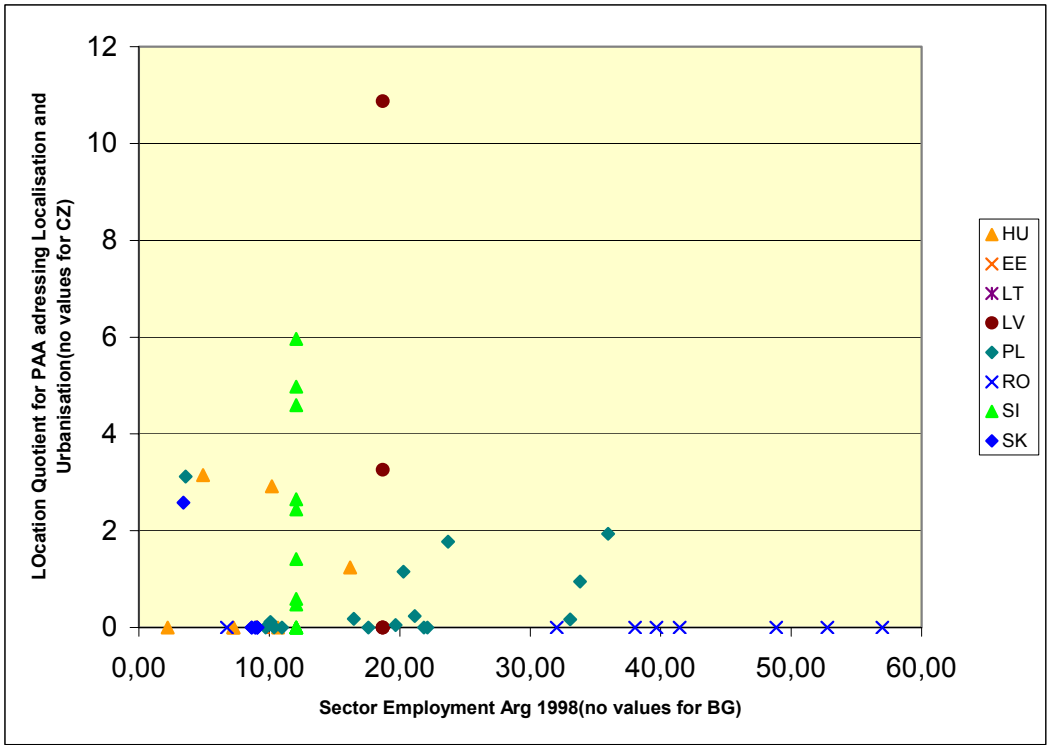
Figure 20-4: Population Density 1998 Related to (a) Location Quotient of Pre-Accession Aid Addressing the Regional Market Potential between 1998 and 2000 and (b) % of Pre-Accession Aid Addressing the Regional Market Potential as Share of Total Regional Pre-Accession Aid between 1998 and 2000

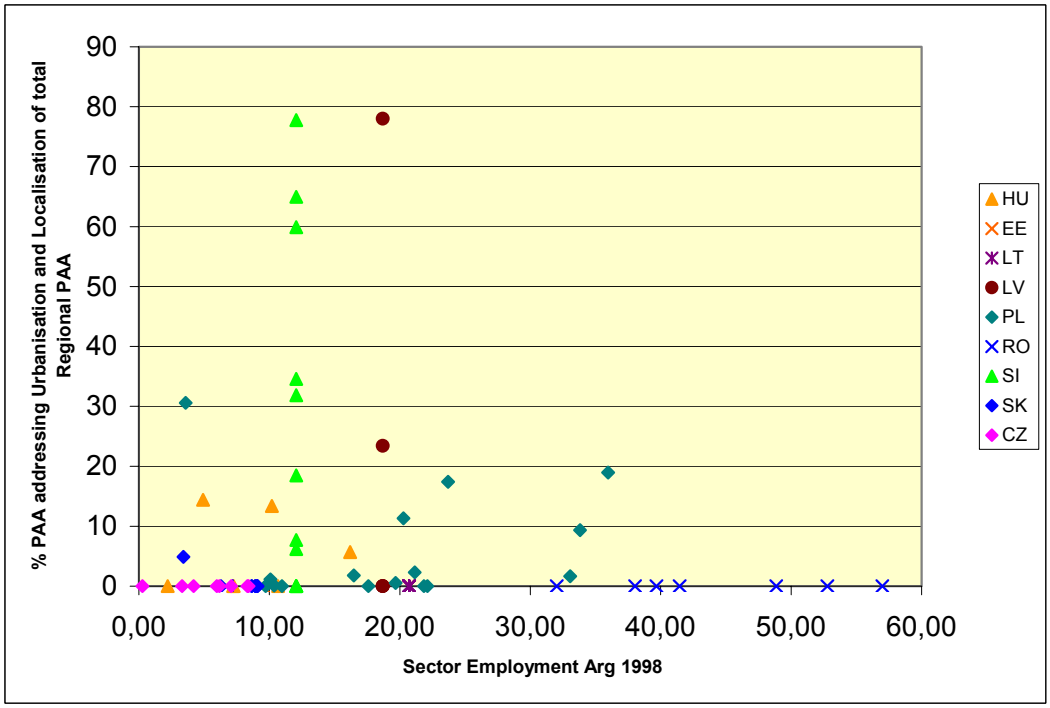




Source: IRS calculation, ESPON Database

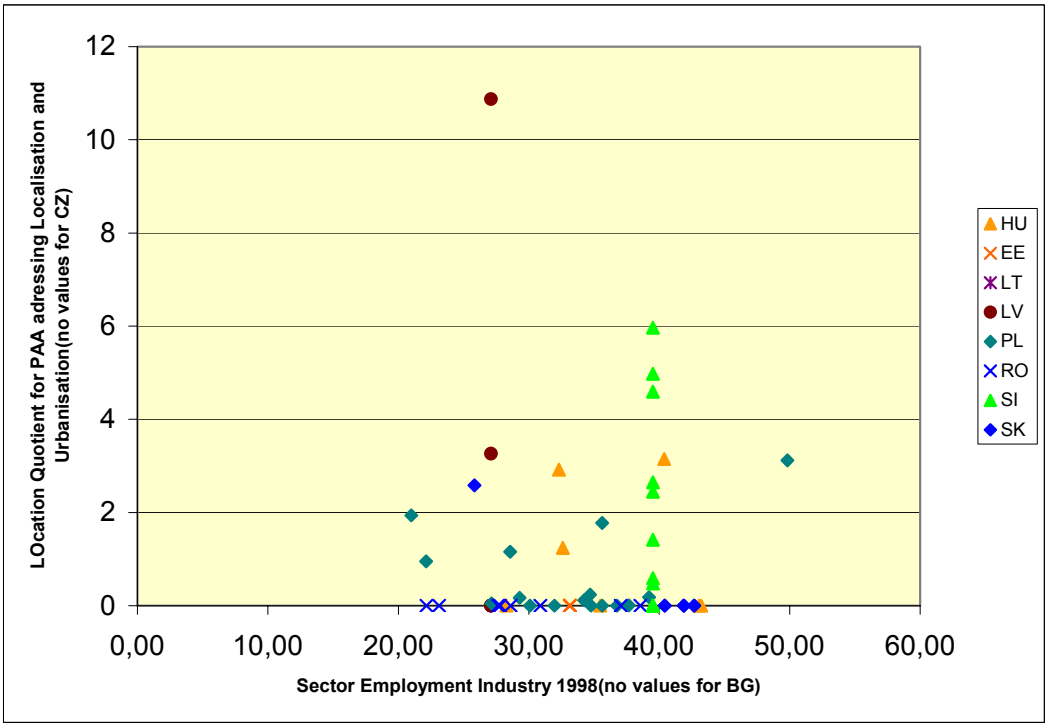
Figure 20-5: Share of Employment in Agriculture 1998 Related to (a) Location Quotient of Pre-Accession Aid Addressing Urbanisation and Localisation Advantages between 1998 and 2000 and (b) % of Pre-Accession Aid Addressing Urbanisation and Localisation Advantages as Share of Total Regional Pre-Accession Aid between 1998 and 2000

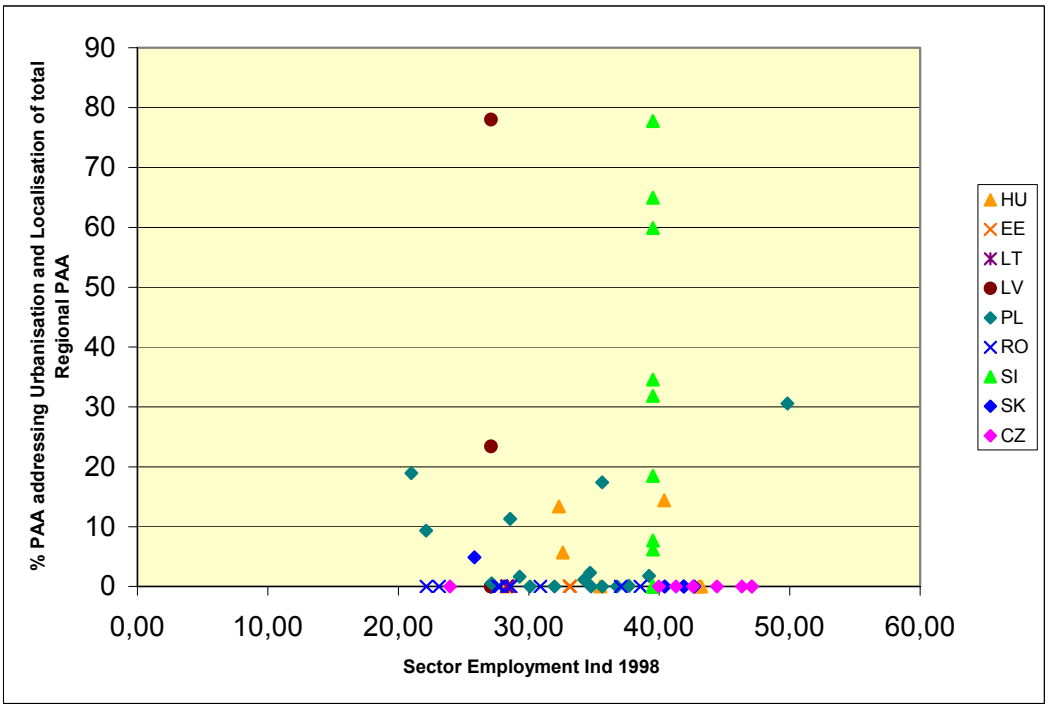




Source: IRS calculation, ESPON Database

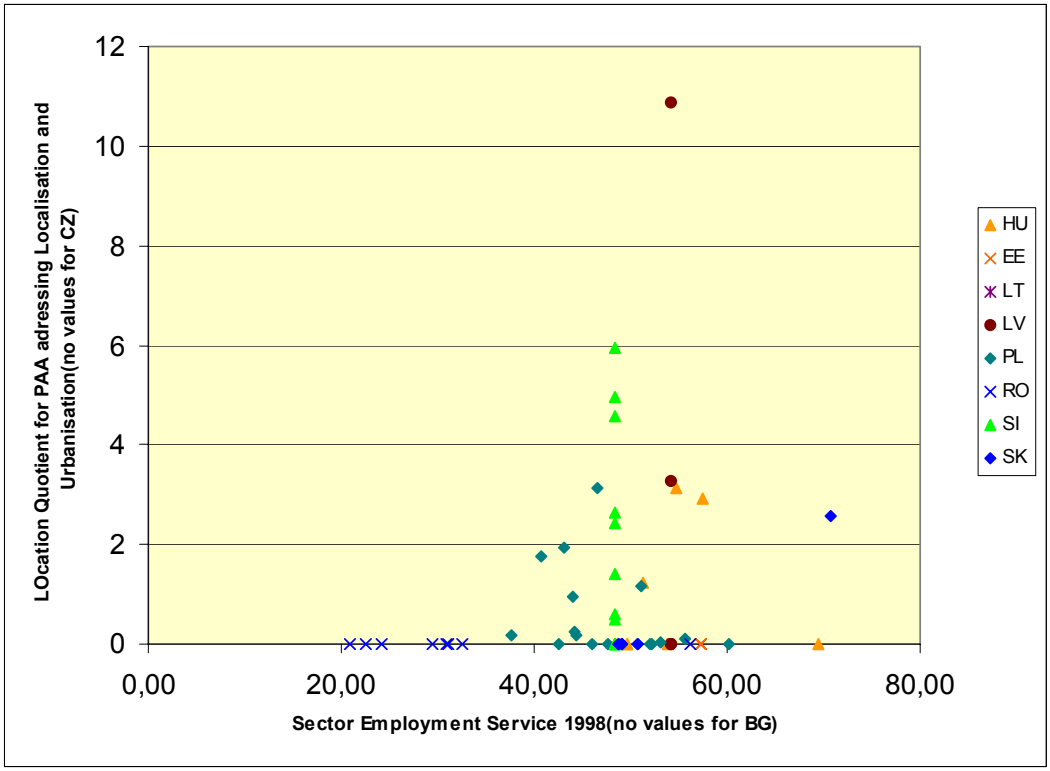
Figure 20-6: Share of Employment in Industry 1998 Related to (a) Location Quotient of Pre-Accession Aid Addressing Urbanisation and Localisation Advantages between 1998 and 2000 and (b) % of Pre-Accession Aid Addressing Urbanisation and Localisation Advantages as Share of Total Regional Pre-Accession Aid between 1998 and 2000

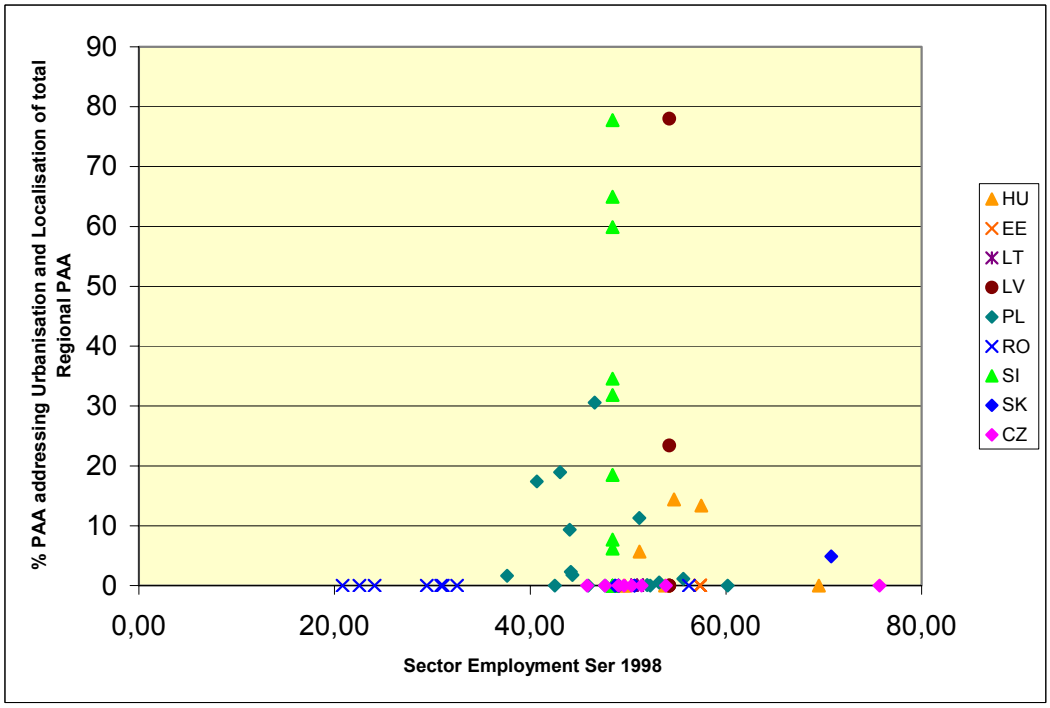




Source: IRS calculation, ESPON Database

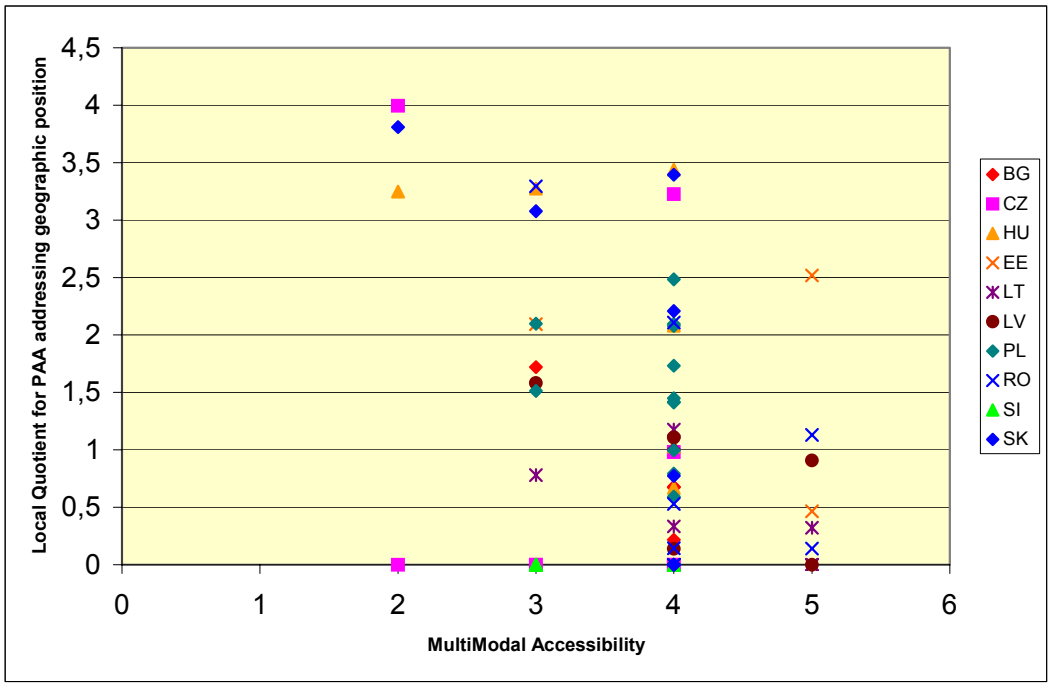
Figure 20-7: Share of Employment in Services 1998 Related to (a) Location Quotient of Pre-Accession Aid Addressing Urbanisation and Localisation Advantages between 1998 and 2000 and (b) % of Pre-Accession Aid Addressing Urbanisation and Localisation Advantages as Share of Total Regional Pre-Accession Aid between 1998 and 2000

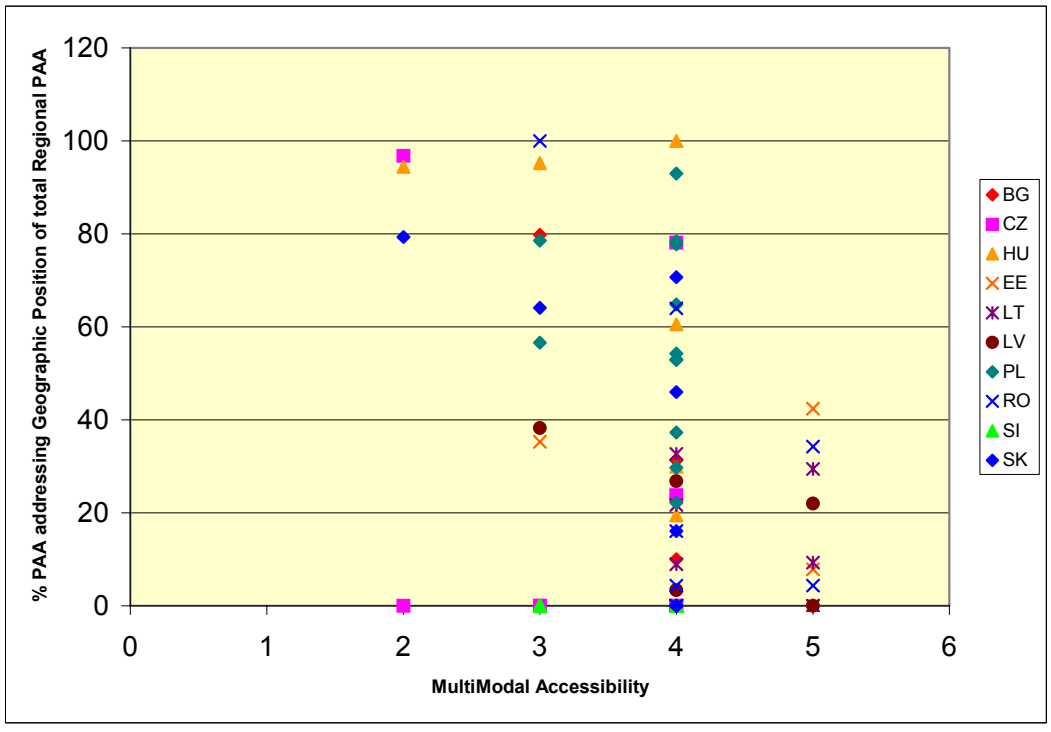




Source: IRS calculation, ESPON Database

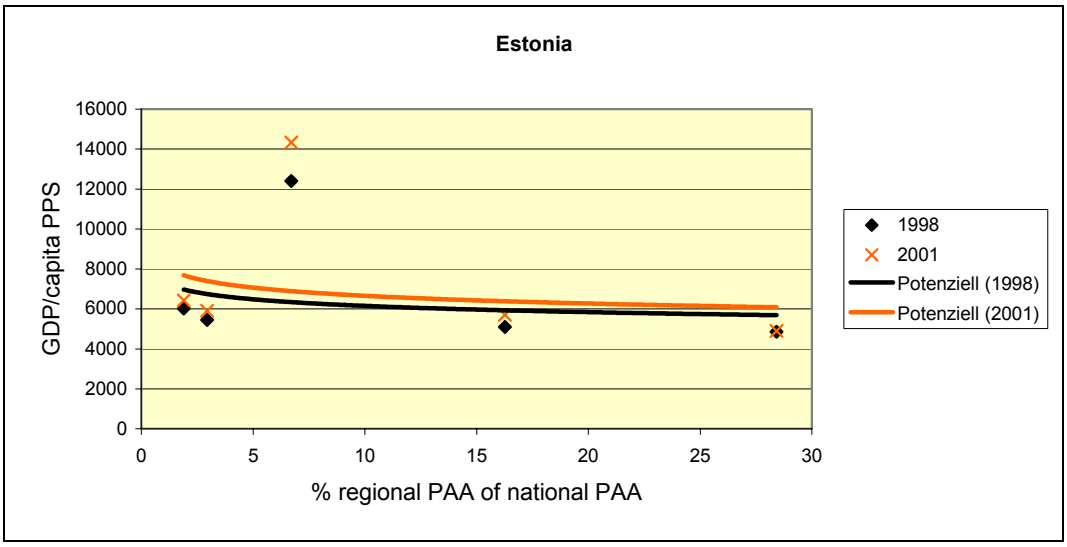
Figure 20-8: Multimodal Accessibility Related to (a) Location Quotient of Pre-Accession Aid Addressing the Geographic Position between 1998 and 2000 and (b) % of Pre-Accession Aid Addressing the Geographic Position as Share of Total Regional Pre-Accession Aid between 1998 and 2000





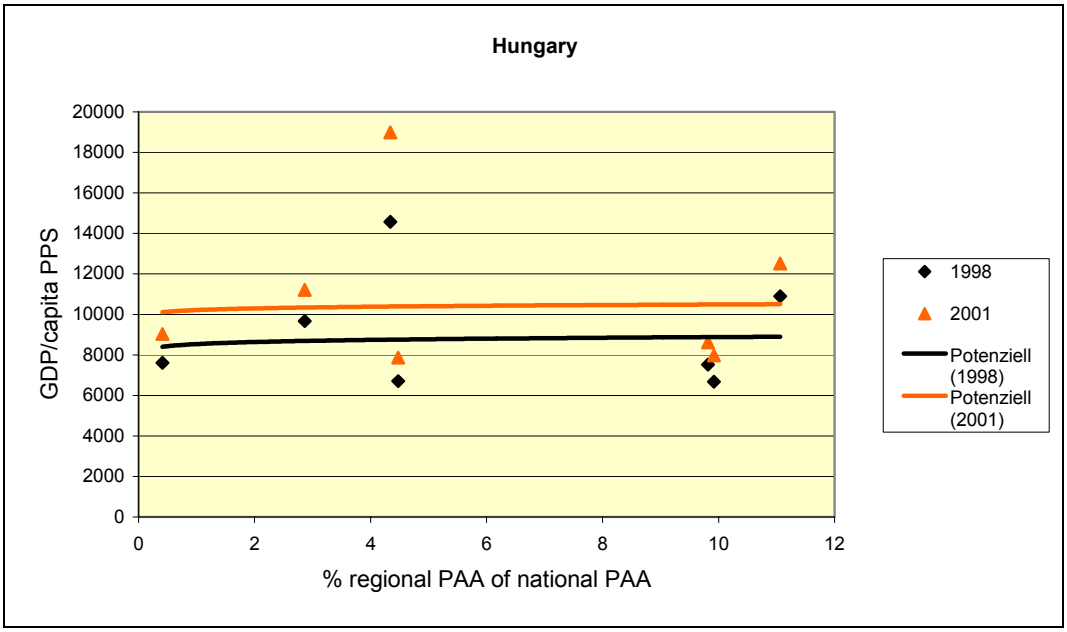
Source: IRS calculation, ESPON Database

Figure 20-9: Change of GDP per Capita (PPS) between 1998 and 2001 Related to the Regional Pre-Accession Aid Share of National Pre-Accession Aid in Percentage for Estonia



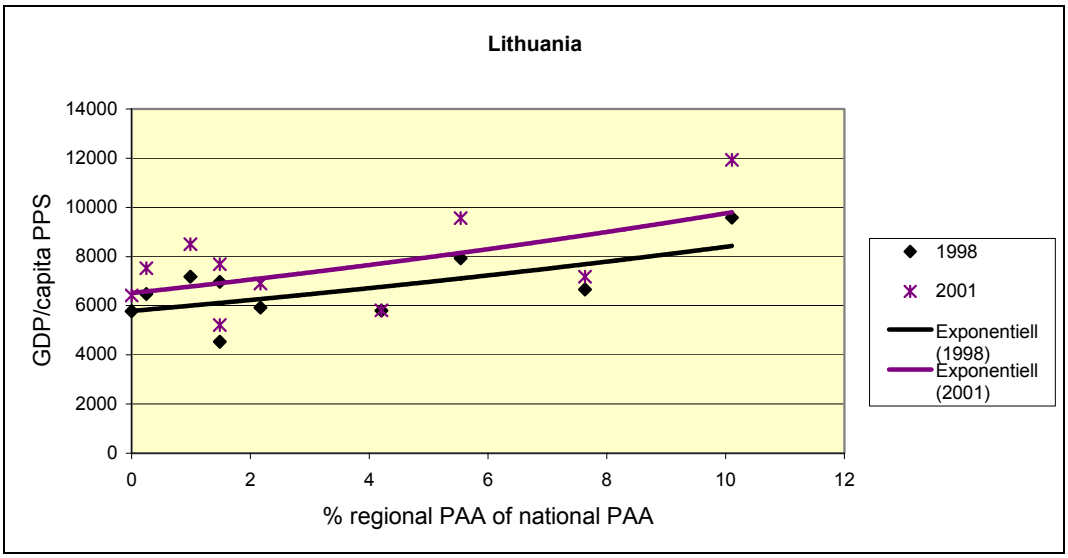
Source: IRS calculation, ESPON Database

Figure 20-10: Change of GDP per Capita (PPS) between 1998 and 2001 Related to the Regional Pre-Accession Aid Share of National Pre-Accession Aid in Percentage for Hungary



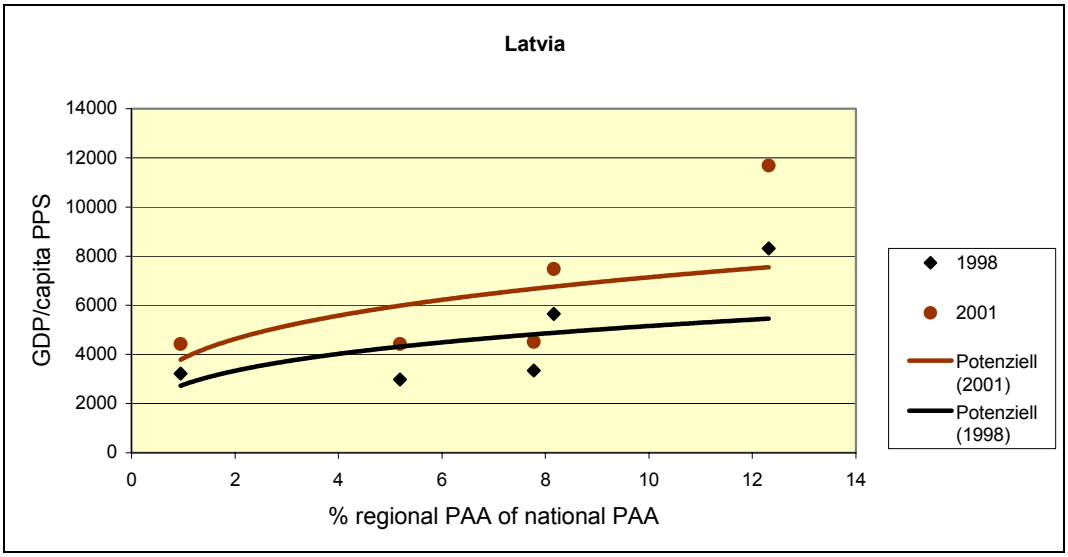
Source: IRS calculation, ESPON Database

Figure 20-11: Change of GDP per Capita (PPS) between 1998 and 2001 Related to the Regional Pre-Accession Aid Share of National Pre-Accession Aid in Percentage for Lithuania



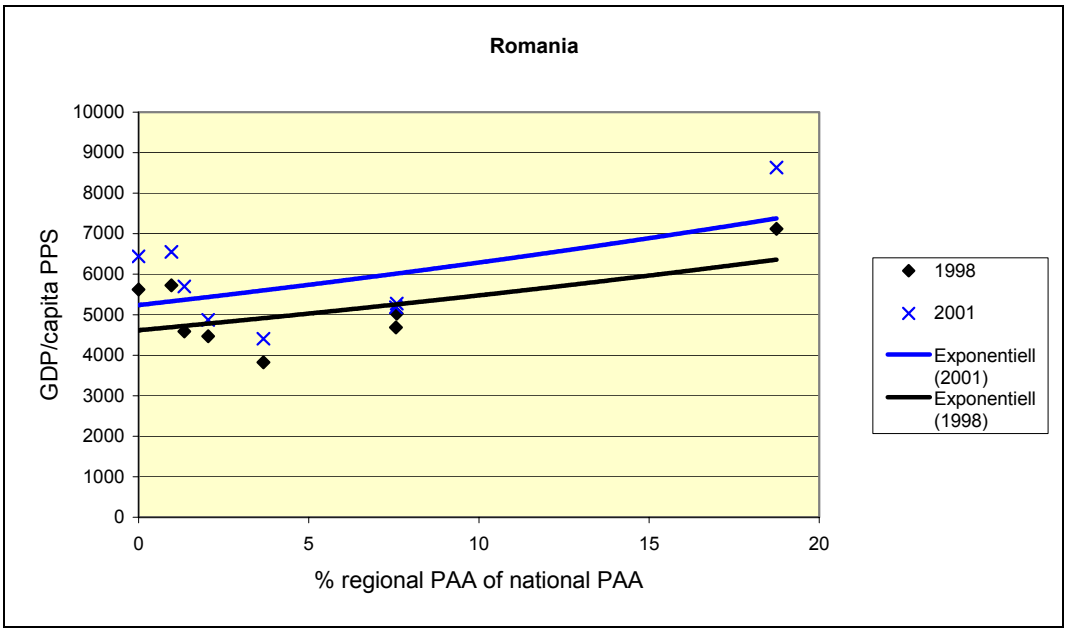
Source: IRS calculation, ESPON Database

Figure 20-12: Change of GDP per Capita (PPS) between 1998 and 2001 Related to the Regional Pre-Accession Aid Share of National Pre-Accession Aid in Percentage for Latvia



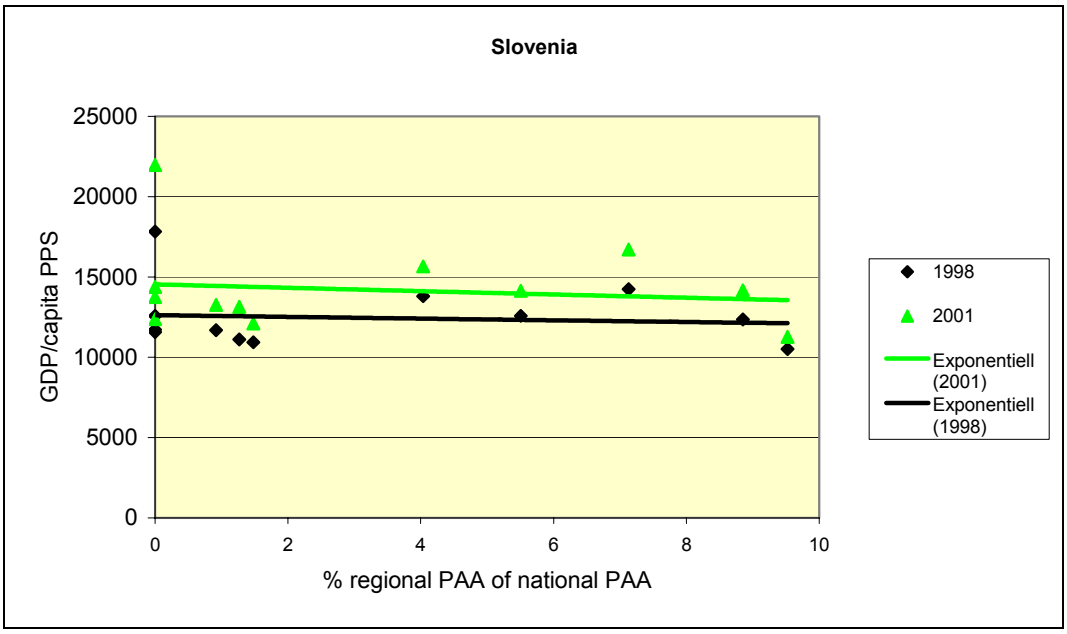
Source: IRS calculation, ESPON Database

Figure 20-13: Change of GDP per Capita (PPS) between 1998 and 2001 Related to the Regional Pre-Accession Aid Share of National Pre-Accession Aid in Percentage for Romania



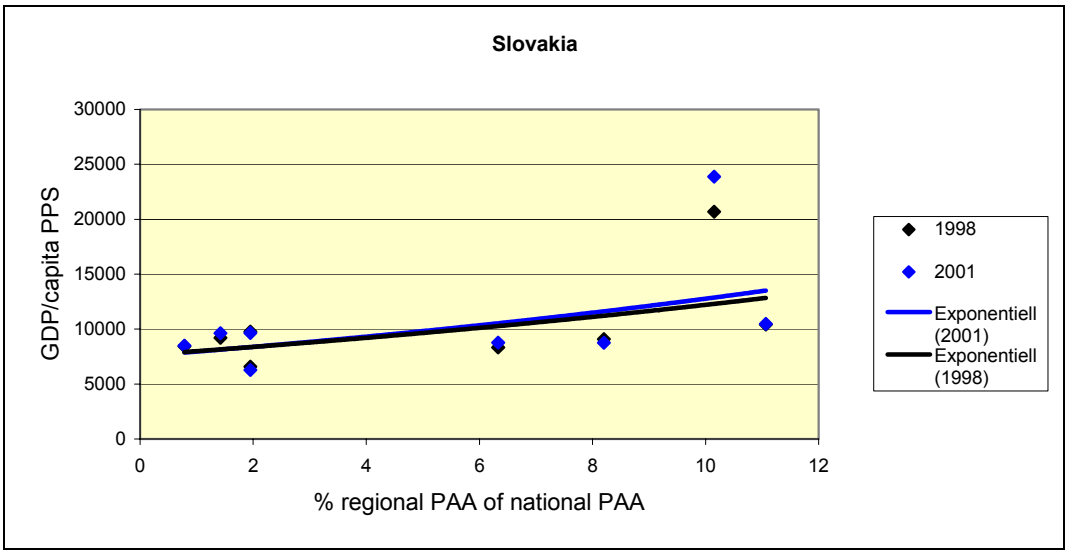
Source: IRS calculation, ESPON Database

Figure 20-14: Change of GDP per Capita (PPS) between 1998 and 2001 related to the Regional Pre-accession Aid Share of National Pre-accession Aid in Percentage for Slovenia



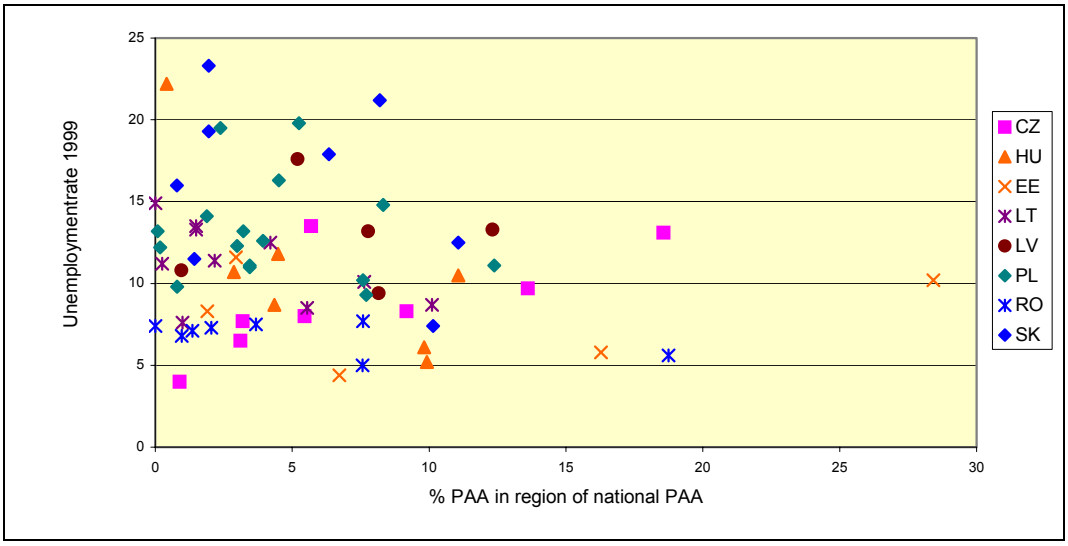
Source: IRS calculation, ESPON Database

Figure 20-15: Change of GDP per Capita (PPS) between 1998 and 2001 Related to the Regional Pre-Accession Aid Share of National Pre-Accession Aid in Percentage for Slovakia



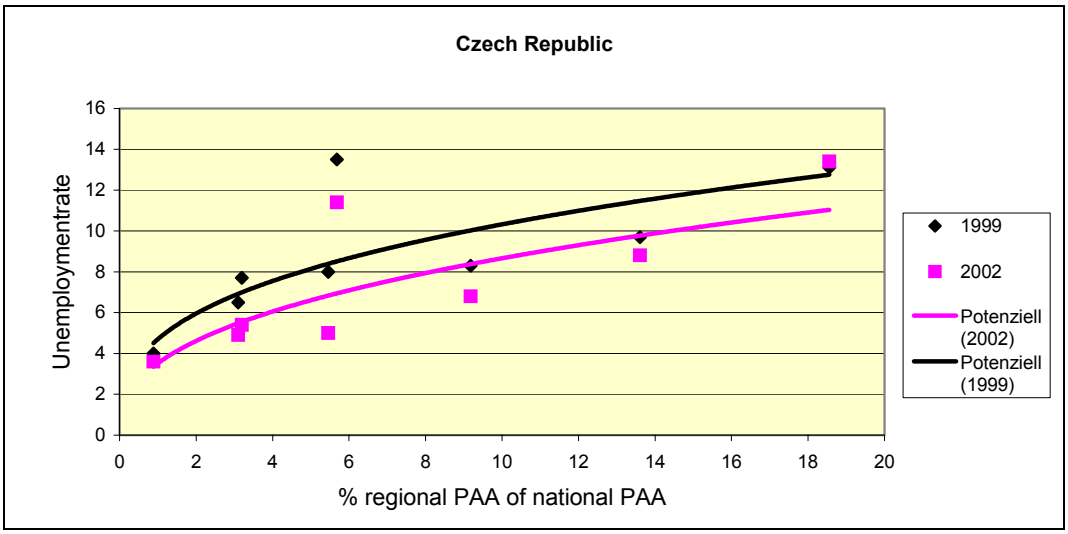
Source: IRS calculation, ESPON Database

Figure 20-16: Percentage of Regional Pre-Accession Aid Spending between 1998 and 2000 as Share of National Pre-Accession Aid in Relation to Regional Unemployment Rate in 1999



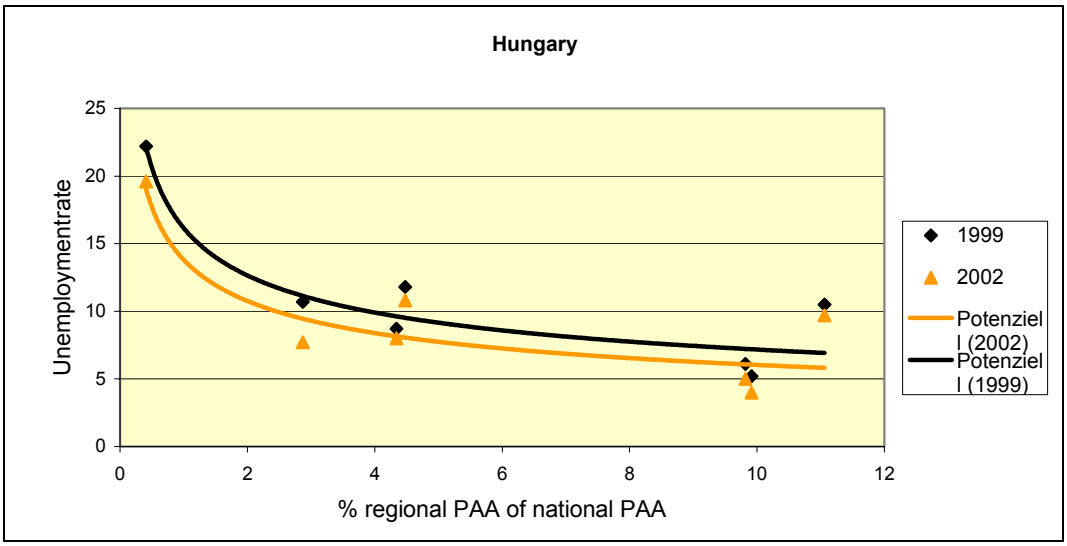
Source: IRS calculation, ESPON Database

Figure 20-17: Change Unemployment Rates between 1999 and 2002 Related to the Regional Pre-Accession Aid Share of National Pre-Accession Aid in Percentage for the Czech Republic



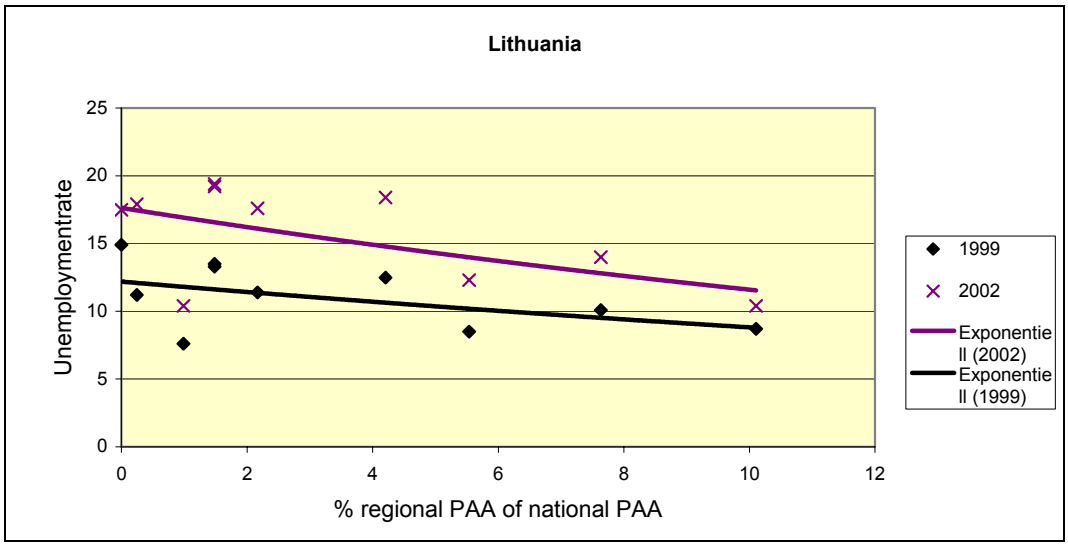
Source: IRS calculation, ESPON Database, Newcronos

Figure 20-18: Change Unemployment Rates between 1999 and 2002 Related to the Regional Pre-Accession Aid Share of National Pre-Accession Aid in Percentage for Hungary



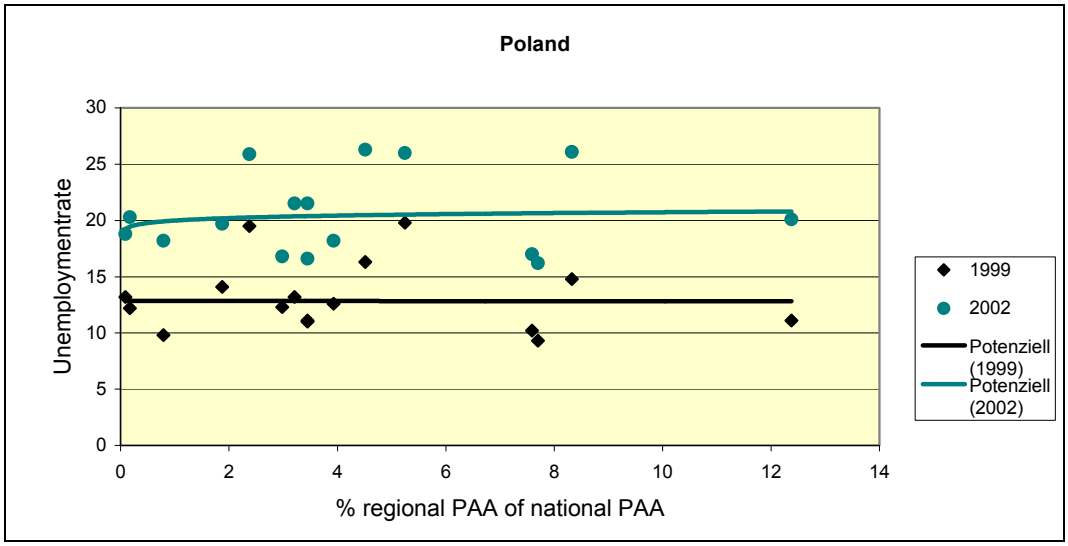
Source: IRS calculation, ESPON Database, Newcronos

Figure 20-19: Change Unemployment Rates between 1999 and 2002 Related to the Regional Pre-Accession Aid Share of National Pre-Accession Aid in Percentage for Lithuania



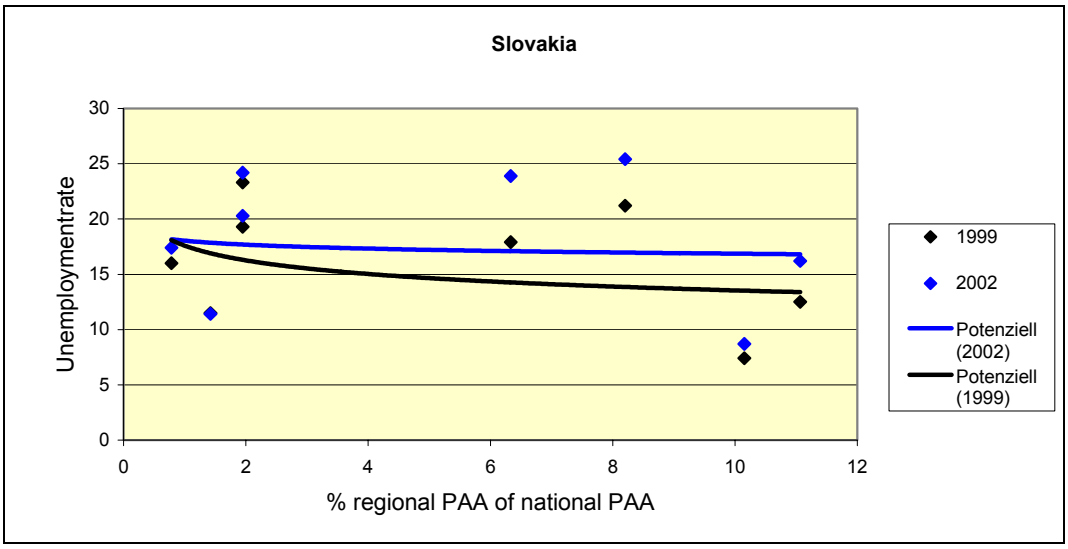
Source: IRS calculation, ESPON Database, Newcronos

Figure 20-20: Change Unemployment Rates between 1999 and 2002 Related to the Regional Pre-Accession Aid Share of National Pre-Accession Aid in Percentage for Poland



Source: IRS calculation, ESPON Database, Newcronos

Figure 20-21: Change Unemployment Rates between 1999 and 2002 Related to the Regional Pre-Accession Aid Share of National Pre-Accession Aid in Percentage for Slovakia



Source: IRS calculation, ESPON Database, Newcronos

20.5 Tables

Table 20-1: Overview on Policy Data Included in the Database Established by ESPON Project 2.2.2

		PHARE			
Country	**NUTS-level**	**period**	**definition**	**source**	**problems**
BG	NUTS 2	1998-2003	1998-2003: programme information, year of approval, amount allocated	PHARE programme homepage**	only programme information, project implementation and disbursement up to 4 years after approval, information on location
CZ	NUTS 2/3	1992-2002	project information, indicative allocations	EC Delegation in Czech Republic	NUTS 2 level only in place since 2000, NUTS 3 level since 2001 -> regional breakdown problematic
EE	NUTS 3	1993-2003	1993-1998: operational programmes, year of approval, amount allocated; 1999-2003: project information, year of approval, amount allocated	1993-1998: PHARE programme search facility*; 1999-2003: EC Delegation in Estonia	only programme information for hte period 1993-1998, project implementation and disbursement up to 4 years after approval, information on location of implementation not complete
HU	NUTS 2/3	1998-2003	programme information, year of approval, amount allocated	PHARE programme homepage**	only programme information, project implementation and disbursement up to 4 years after approval, information on location of implementation not complete
LT	NUTS 3	1994-2002	1993-1998: operational programmes, year of approval, amount allocated; 1999-2003: programme information, year of approval, amount allocated	1993-1998: PHARE programme search facility*; 1999-2002: Ministry of Finance	only programme information, project implementation and disbursement up to 4 years after approval, information on location of implementation not complete
LV	NUTS 3	1993-2002	1993-1997 operational programmes, year of approval, amount allocated, 1998-2002: project information, year of project start, amount allocated	1993-1998: PHARE programme search facility*; 1998-2002: Ministry of Finance	several projects run over more than one year, allocated amount not necessarily disbursed
PL	NUTS 2	1991-2003	project information, year of approval, amount allocated	Delegation of the European Commission in Poland	NUTS 2 level only in place since 1998 -> regional breakdown problematic
RO	NUTS2/3	1998-2003	programme information, year of approval, amount allocated	PHARE programme homepage**	only programme information on Nuts 0 level, project implementation and disbursement up to 4 years after approval. Programmes on economic and social cohesion, which are mostly located in specific regions could not be
SI	NUTS 2/3	1998-2002	programme information, year of approval, amount allocated	PHARE programme homepage**	only programme information, project implementation and disbursement up to 4 years after approval, information on location of implementation not complete
SK	NUTS 2/3	1997-2002	programme information, year of approval, amount allocated	1997: Slovak Republic Government office: http://www.vlada.gov.sk/english/; 1998-2002: PHARE programme homepage**	only programme information, project implementation and disbursement up to 4 years after approval, information on location of implementation not complete

		PHARE CBC			
Country	**NUTS-level**	**period**	**definition**	**source**	**problems**
BG	NUTS 2	1994-2002	programme information, year of approval, amount allocated	1998-2002: PHARE programme homepage**	only programme information, project implementation and disbursement up to 4 years after approval, information on location of implementation not
CZ	NUTS 2/3	1994-2002	project information, indicative allocations	EC Delegation in Czech Republic	NUTS 2 level only in place since 2000, NUTS 3 level since 2001 -> regional breakdown problematic
EE	NUTS 3	1994-2002	1993-1998: operational programmes, year of approval, amount allocated; 1999-2003: programme information, year of approval, amount allocated	1993-1998: PHARE programme search facility*; 1999-2003: EC Delegation in Estonia	only programme information, project implementation and disbursement up to 4 years after approval, information on location of implementation not complete
HU	NUTS 2/3	1994-2002	1994-2002: programme information, year of approval, amount allocated	1993-1997: PHARE programme search facility*; 1998-2002: PHARE programme homepage**	only programme information, project implementation and disbursement up to 4 years after approval
LT	NUTS 3	1994-2002	1993-1998: operational programmes, year of approval, amount allocated; 1999-2003: programme information, year of approval, amount allocated	1993-1998: PHARE programme search facility*; 1999-2002: Ministry of Finance	only programme information, project implementation and disbursement up to 4 years after approval
LV	NUTS 3	1994-2002	1994-1997 operational programmes, year of approval, amount allocated, 1998-2002: project information, year of project start, amount allocated	1994-1998: PHARE programme search facility*; 1998-2002: Ministry of Finance	several projects run over more than one year, allocated amount not necessarily disbursed
PL	NUTS 2	1994-2003	project information, year of approval, amount allocated	Delegation of the European Commission in Poland	NUTS 2 level only in place since 1998 -> regional breakdown problematic
RO	NUTS2/3	1999-2002	programme information, year of approval, amount allocated	PHARE programme homepage	only programme information, project implementation and disbursement up to 4 years after approval, information on location of implementation not complete
SI	NUTS 2/3	1994-2002	1994-1999 project information, year of approval. amount allocated, 2000-2002 programme information, year of approval, amount allocated	1994-1999 Government Office for European Affairs, 2000-2002 PHARE programme homepage**	for 2000-2002 only programme information, project implementation and disbursement up to 4 years after approval, information on location of implementation not complete
SK	NUTS 2/3	1998-2002	programme information, year of approval, amount allocated	PHARE programme homepage**	only programme information, project implementation and disbursement up to 4 years after approval, information on location of implementation not complete

* PHARE programme search facility: http://www.europa.eu.int/phare-cgi/plsql/prog.search
** PHARE programme homepage: http://europa.eu.int/comm/enlargement/pas/phare/

		ISPA			
Country	**NUTS-level**	**period**	**definition**	**source**	**problems**
BG	NUTS 2	2000-2002	ISPA budget per year of projects signed	DG Regio mini ISPA report 2000-2002	only indicative amount
CZ	NUTS 3	2000-2002	ISPA budget per year of projects signed	DG Regio mini ISPA report 2000-2002	only indicative amount
EE	NUTS 3	2000-2003	year of contracting, approved amount	Estonian Ministry of Finance	project implementation and disbursement not totaly in year of contracting
HU	NUTS 2/3	2000-2002	ISPA budget per year of projects signed	DG Regio mini ISPA report 2000-2002	only indicative amount
LT	NUTS 3	2000-2002	ISPA budget per year of projects signed	DG Regio mini ISPA report 2000-2002	only indicative amount
LV	NUTS 3	2000-2002	ISPA budget per year of projects signed	DG Regio mini ISPA report 2000-2002	only indicative amount
PL	NUTS 2	2000-2002	ISPA budget per year of projects signed	DG Regio mini ISPA report 2000-2002	only indicative amount
RO	NUTS 2/3	2000-2002	ISPA budget per year of projects signed	DG Regio mini ISPA report 2000-2002	only indicative amount
SI	NUTS 2/3	2000-2002	ISPA budget per year of projects signed	DG Regio mini ISPA report 2000-2002	only indicative amount
SK	NUTS 2/3	2000-2002	ISPA budget per year of projects signed	DG Regio mini ISPA report 2000-2002	only indicative amount

		SAPARD			
Country	**NUTS-level**	**period**	**definition**	**source**	**problems**
BG	NUTS 2	until 2003	projects approved per measure as in December 2003, amount allocated	Draft version of SAPARD Annual Report 2003, European Commission, DG Agriculture	no allocation per year
CZ	NUTS 3	2001-2002	number of submitted projects per year on NUTS 2, indicative financial allocation only for 2001	Czech SAPARD Agency	no financial allocation for 2002, amounts for 2001 rather not reliable (submissions)
EE	NUTS 3	2001-2003	amount approved for year of contracting	Estonian Ministry of Agriculture	project implementation and disbursement not totaly in year of contracting
HU	NUTS 2/3	2003	amount approved		
LT	NUTS 3	2000-2003	amount approved per region for the total period	Ministry of Agriculture	no allocation per year
LV	NUTS 3	until March 2004	projects contracted, amount approved	Rural Support Service Latvia	allocation only on national level, since SAPARD regions are not consistent with NUTS classification, no allocation per year
PL	NUTS 2	2003	project information, year of allocation, amount allocated	SAPARD Agency	
RO	NUTS 2/3	Aug 2002 - July 2004	projects contracted	European Commission, DG Agriculture	no allocation per year
SI	NUTS 2/3	-2003	projects approved per measure as in January 2004, amount allocated	ECP Slovenia	no alloction per year, probably allocations before 2003
SK	NUTS 2/3	-2003	projects approved as in october 2003, payments commited	Slovakian SAPARD Agency	no alloction per year, probably allocations before 2003

Table 20-2: Availability and Sources of Potential Indicators

Indicator	Source
Population Density	Own calculation based on: Total Population – ESPON database 2.4 and New Cronos Updates July 2004, project 3.1 Area – ESPON database 2.4., project 2.2.3
Active Population Density	Own calculation based on Total Active Population – ESPON database 2.4. and New Cronos Updates July 2004, project 3.1 Area – ESPON database 2.4., project 2.2.3
Share of Employment in Agriculture Share of Employment in Industry Share of Employment in Services	Own calculation based on : Employment by sector – New Cronos Updates July 2004, project 3.1
Human Capital Index	Own calculation based on: Active population by education – New Cronos Updates, July 2004, project 3.1
Unemployment Rate	New Cronos Updates, July 2004, project 3.1
GDP per Capita in PPS	New Cronos Updates, July 2004, project 3.1
Typology Multimodal Accessibility	ESPON Database 2.4, project 2.1.1
R&D Employment	EUROSTAT online datashop
Bertelsmann Status Index	Bertelsmann (2004): Bertelsmann Transformation Index 2003, Gütersloh

Table 20-3: Mean Values for Indicators in Potential Oriented Cluster Analysis 1998

	N*	HCI 2001	Active Population Density 2001	Unemployment Rate 2002	Share of R&D Employment	GDP per Capita in PPS 2001	MMAP 2001	Share of Agricultural Employment 2001	Share of Tertiary Employment 2001	Settlement: Densely Populated Areas	Status-Index
Capital Regions and Growth poles	1	24.21	1290.78	4.00	2.95	26456	2.00	0.27	75.69	0	9.60
	3	22.35	130.97	7.60	2.83	16145	2.33	8.43	64.48	0.33	9.57
	5	23.57	172.19	11.28	1.11	9254	3.00	8.12	60.56	0	8.56
Western Border, Central Rural, Old Industrialised Regions	1	7.84	460.00	7.70	0.76	15233	3.00	2.09	65.30	1.00	10.00
	23	19.61	49.75	7.84	1.08	11425	3.48	10.80	50.30	0	9.63
	12	19.35	55.99	11.12	0.62	8913	3.67	14.72	46.95	1.00	9.48
	11	19.44	47.02	17.43	0.47	8048	4.00	9.82	51.08	0	9.53
Eastern Peripheral and Rural Regions	19	24.28	19.23	11.41	0.82	5561	4.53	26.57	47.28	0	9.37
	5	18.95	23.38	23.58	0.15	4512	3.80	14.91	52.11	0.20	7.70
	7	15.83	45.09	6.98	0.20	4659	4.29	44.26	27.34	0.29	7.30

* Number of regions in cluster

Table 20-4: Mean Values for Indicators in Potential Oriented Cluster Analysis 2001

	N*	HCI 2001	Active Population Density 2001	Unemployment Rate 2002	Share of R&D Employment	GDP per Capita in PPS 2001	MMAP 2001	Share of Agricultural Employment 2001	Share of Tertiary Employment 2001	Settlement: Densely Populated Areas	Status-Index
Capital Regions and Growth Poles	1	24.73	1280.10	3.90	2.95	31639	2.00	0.67	77.48	0	9.60
	4	21.93	140.87	11.73	2.73	17108	2.50	7.33	62.65	0.25	9.53
	5	24.04	168.54	11.60	1.11	11012	3.00	9.30	59.69	0	8.56
Western Border, Central Rural, Old Industrialised Regions	1	7.81	460.75	6.90	0.76	16221	3.00	2.04	65.61	1.00	10.00
	20	18.99	41.50	6.12	1.03	13067	3.50	8.51	52.78	0	9.65
	12	19.72	57.30	14.35	0.62	9813	3.67	14.41	48.89	1.00	9.48
	15	19.93	53.47	19.77	0.53	8746	3.93	12.82	52.69	0	9.51
Eastern Peripheral and Rural Regions	17	25.49	17.23	16.55	0.85	6386	4.59	13.96	57.64	0	9.36
	5	19.76	19.79	23.58	0.15	5260	3.80	8.37	55.99	0.20	7.70
	7	16.54	44.47	6.41	0.20	5489	4.29	46.40	27.94	0.29	7.30

* Number of regions in cluster

Table 20-5: SAPARD Committed Amount (€ million) 2001 and Financial Breakdown Per Measures (%)

Country	SAPARD Committed Amount (€ million) 2001	Financial Breakdown per Measure	(%)
Bulgaria	€ 54.1 million	• Investments in agricultural holdings	31
		• Improvement of processing and marketing of agricultural and fishery products and construction of wholesale markets	24
		• Forestry, including afforestation and investments in improvement of the processing and marketing of forestry products	8
		• Renovation and development of villages, protection and conservation of rural heritage and cultural traditions	8
		• Water resources management	6
		• Development and diversification of economic activities providing for multiple activities and alternative income	6
		• Development and improvement of rural infrastructure	6
		• Improvement of vocational training	4
		• Technical Assistance	4
		• Development of environmentally friendly agricultural products	2
		• Setting up producers groups	1
Czech Republic	€ 22.9 million	• Measures to be realised in order to increase the competitiveness of agriculture and processing industry	62
		• Land improvement and re-parcelling	20
		• Improving of the processing and marketing of agricultural and fishery products	17
		• Investments in agriculture holdings	16
		• Improving the structures for quality control, for the quality of foodstuffs and for consumer protection	9
		• Measures selected to reach the sustainable development of rural areas	35
		• Development and diversification of economic activities, providing for multiple activities and alternative income	16
		• Renovation and development of villages	11
		• Rural infrastructure	5
		• Agricultural production methods designed to protect the environment and maintain the countryside	3
		• Technical support	3
		• Improvement of vocational training	2
		• Technical assistance	1

Estonia	€ 12.6 million	• Improving the competitiveness of agriculture and the agri-food industry • Investments in agricultural holdings • Improving the processing and marketing of agricultural and fishery products • Rural regeneration and development • Development and diversification of economic activities • Development and improvement of rural infrastructure • Renovation and development of villages • Agricultural production methods designed to protect the environment and maintain the countryside • Forestry • Facilitating effective programme implementation • Assistance from Article 7(4) Regulation 1268/99 • Technical assistance	60.1 42 18.1 36 17.6 12.2 3.5 1.4 1.3 3.9 2 1.9
Hungary	€ 39.54 million	• Investments in agricultural holdings • Improvement of processing and marketing of agricultural and fishery products and construction of wholesale markets • Diversification of economic activities aimed at generating alternative revenues • Development and improvement of rural infrastructure • Renovation and development of villages, protection and conservation of rural heritage and cultural traditions • Setting up producer groups • Agricultural production methods designed to protect the environment and maintain the countryside • Improvement of vocational training • Technical assistance	28.4 20.5 15.5 12 9 7.3 4.2 1.8 1
Latvia	€ 22.7 million	• Investment in agricultural holdings • Modernisation of agriculture machinery, equipment and construction • Afforestation of agricultural land • Land re-parcelling • Improvement of agriculture and fisheries product processing and marketing • Development and diversification of economic activities providing alternative income • Improvement of general rural infrastructure • Environmentally friendly agricultural methods • Organic farming • Preservation of biodiversity and rural landscape	28 23.1 3 1.9 26 23.6 12 4.5 1.8 1.6

		• Reduction of agricultural run-off • Support Measures • Vocational training • Technical assistance	1.1 5.9 3.9 2
Lithuania	€ 31.0 million	• Investments in agriculture holdings • Improving the processing and marketing of agricultural and fishery products • Improvement of rural infrastructure • Development and diversification of economic activities providing alternative income • Afforestation of agricultural land and improvement of forest infrastructure • Technical assistance • Vocational training • Environmentally friendly agricultural methods	46.8 21 15.5 8.2 3.7 2 1.8 1
Poland	€ 175.1 million	• Improvement of the market efficiency of the agri-food sector • Improvement in processing and marketing of food and fishery products • Investments in agricultural holdings • Improvement of conditions for economic activities and job creation • Development of rural infrastructure • Diversification of economic activities in rural areas • Complementary axis • Vocational training • Agri-environmental measures and afforestation • Technical assistance	55.8 38.1 17.7 39.4 27.8 11.6 4.8 2.2 1.9 0.7
Romania	€ 156.33 million	• Development and improvement of rural infrastructure • Improvement in processing and marketing of food and fishery products • Investments in agricultural holdings • Development and diversification of economic activities, multiple activities and alternative incomes • Forestry • Improving vocational training • Technical assistance • Agri-environmental measures • Management of water resources • Improving the structures for quality, veterinary and plant-health control, foodstuffs and consumer protection • Setting up producers groups	28 17 15 10 10 5 5 3 3 2 2
Slovakia	€ 19.0 million	• Improvement of agricultural production sector including food processing industry • Investments in agricultural enterprises • Improving of the processing and marketing of agriculture and fishery products	59 27 27

		• Producer groups • Sustainable rural development • Diversification of activities in rural areas • Land consolidation • Forestry • Rural infrastructure • Agricultural production methods designed to protect the environment and maintain the countryside • Human resources development • Technical assistance • Development of human resources (training)	5 36 11 10 7 4 4 5 3 2
Slovenia	€ 6.6 million	• Processing and marketing of agricultural and fishery products • Investments in agricultural holdings • Economic diversification • Development and improvement of rural infrastructure • Technical assistance	40 35 14 10 1

Source: CEC (2003) Annex to the General Report on Pre-Accession Assistance in 2001 COM(2003)329 final

Table 20-6: Transport Priorities for ISPA

Country	Transport Strategy Priorities	Committed Expenditure
Bulgaria	• Further opening of Bulgaria to its neighbours (Greece, Turkey and Central Europe) and the rest of Europe – development of main Corridors, border infrastructure and Sofia airport. • Maintain a balance between transport modes. • Develop railway connections and electrification of all main railway lines. • Continue programme of road rehabilitation and construction of new motorways. • Ensure compliance of transport infrastructure with environmental concerns. • Complete or upgrade the main Trans-European Networks and developing • border connections (5 of the 10 priority TINA corridors across Bulgaria).	61.9
Czech Republic	• In the road sector: • Completion of missing sections of the R 48 expressway linking Czech Republic with Poland • Construction of certain sections of D8 motorway linking Prague to Dresden • Completion of the Pilsen by-pass • certain sections of the Prague Ring Road. • In the rail sector • Completion of modernisation TEN Corridor IV, which links the country to Berlin and Vienna/Bratislava • In the inland water ways sector: ○ improvement of navigation conditions on the Labe River.	40.3

Estonia	• Priority 1: Upgrading of Road Corridor I (Via Baltica). Main projects are located:
	  ○ On the Tallinn — Parnu — Ikla Road (Via Baltica)
	  ○ On the connecting east-west link between Corridors I and IX (in Russia)
	  ○ Along Lake Peipsi and in the south-eastern region of Estonia.
	• Priority 2 Upgrading of the Railway Link
	• modernisation of the transit traffic and the regional development of the Tallinn — Tapa-Narva - St. Petersburg railway line
	• South-eastern rail border station
	• Upgrading of the rail Corridor I
		12.2

Hungary	• Promotion of integration into the EU; • Improved cooperation with neighbouring countries; • Contribution to balanced regional development; protection of human life and environment; • Effective, market-oriented transport regulations.	48.2

Latvia	• Priority 1: Upgrading of Road Corridor I (Via Baltica). • Priority 2 : Upgrading of the East-West Railway Link	21.7
Lithuania	• Priority 1: Completing and improving the European Corridors that pass through Lithuania (I, IA, IXB, IXD). • Priority 2: Development of a European gauge track linking the Polish border to a Logistics and Interchange centre at Kaunas: outline agreement has been reached with Poland on a strategy to upgrade the route.	14.5
Poland	• For the period 200-2006, priority is given to investment which: • Contribute to the further integration of the Polish transport system with the present TENs (Corridor II (connecting Poland with Germany and Belarus), Corridor III (connecting Poland with Germany and the Ukraine), and Corridor VI (connecting Poland with Slovakia and Czech Republic). • Improve transport links with the other accession countries and meet trans-border priorities agreed upon by Poland with its neighbours; • Contribute to the improvement of the national transport system by eliminating missing links; • Provide continuity with projects undertaken in previous years (the network effect).	177.6
Romania	• Financing modernisation of well travelled sections of the three trans-European corridors crossing the country while maintaining a reasonable balance between road, rail and waterways: • Corridor IV: from Hungary to Constanta (East Branch) and from Hungary to Bulgaria (South Branch), with a view of setting most of this rail/road corridor to EU standards; • Corridor VII Danube river from the Yugoslavian boarder to the delta (Ukrainian border), where navigability needs to be improved; • Corridor XV from the Ukrainian and Moldavian borders to the Bulgarian border, emphasis being placed on road connections with Bulgaria.	122.8
Slovakia	• Build up and modernisation of transport infrastructure in the multi-modal corridors in line with European norms. • Development of international roads and their interconnection with the European Roads network. • Integration of passenger transportation systems. • Promotion of combined road/rail transport • Ensure compliance of transport infrastructure with environmental concerns.	24.7
Slovenia	• Concentration of all efforts on completing or upgrading the main Trans-European networks and developing border connections (2 of the 10 priority TINA corridors across Slovenia).	6.7

Source: CEC (2003d) General Report on Pre-Accession Assistance 2001. COM(2003)329

Table 20-7: Definition and Scaling of Variables Used in Correlation and Regression Analyses

Variable	Description	Scale
Potentials & socio-economic data		
POPDEN98	Population density 1998	number
CHPOPDEN	Change of population density 1998-2001	percentage
ACPDEN98	Active population density 1998	number
CHAPDE19	Change of active population density 1998-2001	percentage
EMPAGR98	% of Employees in agricultural sector 1998	percentage
EMPIND98	% of Employees in industrial sector 1998	percentage
EMPSER98	% of Employees in service sector 1998	percentage
CHPERARG	Change of employees in agricultural sector 1998-2001 in %	percentage
CHPERIND	Change of employees in industrial sector 1998-2001 in %	percentage
CHPERSER	Change of employees in service sector 1998-2001 in %	percentage
HCI1999	Human-Capital-Index 1999	number
HCI0199	Change of Human-Capital-Index 1999-2001	number
MMACCPOT	Multimodal-Accessibility-Potential (1 very peripheral to 5 very central)	1 to 5
UNEMR99	Unemployment rate 1999	percentage
CHUN0299	Change of unemployment rate 1999-2002(absolute)	number
CH0299UN	Change of unemployment rate 1999-2002 in %	percentage
GDPINH99	GDP per capita 1999	number
CHABSGDP	Change of GDP per capita 1999-2001(absolute)	number
CHGDPPER	Change of GDP per capita 1998-2001 in %	percentage
LOGGDP	Logarithm of GDP per capita 1998	number
Policies		
PAAGDP	% Pre-Accession-Aid of GDP	percentage
PAACAPITA	% Pre-Accession-Aid addressing capital supply of total regional PAA	percentage
PAAENV	% Pre-Accession-Aid addressing environmental quality of total regional PAA	percentage
PAAINV	% Pre-Accession-Aid addressing potential of innovation of total regional PAA	percentage
PAAINST	% Pre-Accession-Aid addressing institutional conditions of total regional PAA	percentage
PAALAB	% Pre-Accession-Aid addressing labour market of total regional PAA	percentage
PAAMARK	% Pre-Accession-Aid addressing regional market of total PAA	percentage
PAAURBAN	% Pre-Accession-Aid addressing urbanisation and localisation of total regional PAA	percentage
Other external Influences		
BORDER	Western border region dummy (0 non-border region, 1 Western border region)	0, 1
CAPITAL	Capital region dummy (0 non-captial region, 1 capital region)	0, 1

EE	Country dummy for Estonia (1 for Estonia, 0 other countries)	0, 1
HU	Country dummy for Hungaria (1 for Hungaria, 0 other countries)	0, 1
LT	Country dummy for Lithuania (1 for Lithuania, 0 other countries)	0, 1
LV	Country dummy for Latvia (1 for Latvia, 0 other countries)	0, 1
PL	Country dummy for Poland (1 for Poland, 0 other countries)	0, 1
RO	Country dummy for Romania (for Romania, 0 other countries)	0, 1
SK	Country dummy for Slovakia (for Slovakia, 0 other countries)	0, 1
SI	Country dummy for Slovenia (1 for Slovenia, 0 other countries)	0, 1

Table 20-8: Results of Bivariate Correlation Analyses for Total Pre-accession Aid and Potential Oriented Pre-Accession Aid Allocation with Respect to Potential Indicators, Changes of Potential Indicators and the Initial Situation**

	PAAGDP	PAACAPITA	PAAENV	PAAPOS	PAAINV	PAAINST	PAALAB	PAAMARK	PAAURBAN
POPDEN98	-0,045	-0,04	0,106	0,109	-0,015	-0,281 **	-0,092	-0,091	-0,038
CHPOPDEN	-0,157	-0,131	-0,318 **	-0,075	0,108	-0,023	-0,375 **	-0,162	-0,027
ACPDEN98	-0,055	-0,044	-0,114	-0,075	0,003	-0,316 **	-0,105	-0,076	-0,047
CHAPDE19	-0,167	-0,252 **	-0,017	-0,045	0,004	-0,036	-0,239 **	-0,071	-0,151
EMPAGR98	-0,003	-0,105	-0,199 *	-0,159	0,124	-0,096	-0,152	-0,068	-0,066
EMPIND98	-0,182	-0,267 **	-0,187 *	-0,016	0,184	-0,175	-0,152	-0,088	-0,088
EMPSER98	0,141	0,069	0,112	0,19 *	0,018	0,01	0,077	0,02	0,018
CHPERIND	-0,086	-0,103	-0,016	-0,008	0,011	-0,036	-0,094	-0,008	-0,017
CHPERSER	-0,033	-0,122	-0,017	-0,205 *	0,033	-0,146	-0,061	-0,168 *	-0,002
HCI1999	0,252 **	0,214 *	0,094	0,092	-0,081	0,029	-0,107	-0,231 *	-0,094
HCI0199	-0,115	-0,059	-0,101	-0,038	0,099	-0,215 *	-0,143	-0,18	-0,418 **
UNEMR99	0,307 **	0,311 **	-0,055	-0,101	0,062	-0,11	-0,367 **	-0,09	-0,186
CHUN0299	-0,066	-0,134	-0,148	-0,1	0,145	-0,165	-0,122	-0,03	-0,122
GDPINH99	-0,282 **	-0,074	-0,263 **	-0,068	0,018	-0,169	-0,015	-0,194 *	-0,107
CHGDPPER	-0,007	-0,098	-0,059	-0,024	0,028	-0,087	-0,079	-0,043	-0,061
MMACCPOT	-0,292 **	-0,044	-0,348 **	-0,265 *	0,124	-0,103	-0,002	-0,159	-0,108

* Level of Signficance 1%, ** Level of Signficance 5%, *** Level of Signficance 10%

**** To reduce the number of columns and lines, only the relevant part of the correlation matrix has been produced rather than the whole upper or lower triangle matrix.

Source: IRS calculation, ESPON Database, Newcronos

Table 20-9: Results of Bivariate Correlation Analyses for Changing Economic Performance in terms of GDP per Capita in PPS and Unemployment Rates with Respect to Total Pre-Accession Aid Allocation, Potential Indicators, Changes of Potential Indicators and the Initial Situation**

	CHUN0299		CH0299UN		CHABSGDP		CHGDPPER	
POPDEN98	-0,042		-0,012		0,143		-0,123	
CHPOPDEN	-0,063		-0,004		0,031		0,077	
ACPDEN98	-0,057		-0,03		0,142		-0,123	
CHAPDE19	0,172		0,116		0,012		-0,082	
EMPAGR98	0,181		0,283	**	-0,297	**	0,079	
EMPIND98	-0,094		-0,172		-0,033		-0,277	**
EMPSER98	-0,159		-0,231	*	0,404	***	0,094	
CHPERARG	0,159		0,183		-0,269	**	-0,083	
CHPERIND	-0,315	***	-0,372	***	0,107		-0,039	
CHPERSER	0,223	*	0,183		-0,062		0,015	
HCI1999	-0,002		0,016		0,186		0,174	
HCI0199	0,493	***	0,501	***	-0,192		-0,02	
PAAGDP	-0,066		-0,001		-0,223	**	-0,007	
UNEMR99	0,236	*	0,118		-0,266	**	-0,135	
CH0299UN	0,956	***	1		-0,259	**	-0,389	***
GDPINH99	0,139		0,1		0,606	***	-0,22	**
CHGDPPER	-0,453	***	-0,389	***	0,556	***	1	
MMACCPOT	0,129		0,156		-0,43	***	0,193	*

* Level of Significance 1%, ** Level of Significance 5%, *** Level of Significance 10%
**** To reduce the number of columns and lines, only the relevant part of the correlation matrix has been produced rather than the whole upper or lower triangle matrix.

Source: IRS calculation, ESPON Database, Newcronos

Table 20-10: Preliminary Regression Analyses Results for the Change of Total and Percentage GDP per Capita in PPS in the New Member States and Bulgaria and Romania**

Table						
	% Change of GDP per Capita				Log Total Change of GDP per Capita	
	Coefficients				Coefficients	
(constant)	134,647	***	89,754		3	**
MMACCPOT	2,132		1,562		1,70E-02	
UNEMR99	-0,433	*			-1,46E-02	*
PAAGDP	-4,386		-5,897	*	-0,153	
HCI1999	-0,251		0,169		-4,55E-03	
EMPARG98	-0,336	**			-5,51E-03	
EMPIND98	-0,173		0,232		-6,00E-03	
EMPSER98			0,424	*		
ACPDEN98						
POPDEN98	-8,87E-03	**	-9,57E-03	**	-3,01E-04	**
LOGGDP99	-27,509	***	-29,606	*	0,13	
BORDER	-4,93E-02		-0,152		-4,69E-03	
CAPITAL	12,265	***	12,686	**	0,346	**
EE			-4,059			
HU			3,009			
LT						
LV			5,649			
PL			-0,538			
RO			9,381			
SI			3,705			
SK			0,855			
R^2	0,384		0,45		0,416	
F-Test	2,991	***	2,663	***	3,342	***
N	87		87		87	

* Level of Significance 1%, ** Level of Significance 5%, *** Level of Significance 10%
**** The number of regions is based on the same differentiation between NUTS 2 and NUTS 3 regions as depicted in the maps of section 8. To avoid reduction of the data set included in the regressions by about one third, as of missing data for one or another variable, missing data have been excluded on the basis of coupled rather than data set exclusion.

Source: IRS calculation, ESPON Database, Newcronos

Table 20-11: Preliminary Regression Analyses Results for the Change of Total and Percentage Unemployment in the New Member States and Bulgaria and Romania

Table								
	Total change of unemployment rate				% Change of unemployment rate			
	Coefficients				Coefficients			
(constant)	-92,219	***	-114,712	**	-1128,297	***	-777,447	***
MMACCPOT	2,991	***	4,258	**	17,428	***	26,235	***
UNEMR99	0,347	***	0,227		1,64	**	2,036	***
PAAGDP	-0,566		0,639		6,457		3,7	
HCI1999	0,206		0,516		2,825	**	2,461	**
EMPARG98					2,261	***		
EMPIND98	-0,228	***	-0,337		-1,116	*	-2,208	***
EMPSER98	-0,255	***	-0,219				-2,611	***
ACPDEN98	-0,1	***	-0,136	*	-1,329	***	-1,11	***
POPDEN98	5,43E-02	***	6,99E-02	*	0,725	***	0,604	***
LOGGDP99	24,576	***	29,402	**	258,805	***	211,104	***
BORDER					-8,737			
CAPITAL					-6,262	***		
EE			-8,694	*				
HU			-7,655	*				
LT			-7,577					
LV			-6,465					
PL			-2,12					
RO			-4,092					
SK			-5,451					
R^2	0,612		0,88		0,767		0,674	
F-Test	8,592	***	19,201	***	14,073	***	11,247	***
N	67		67		67		67	

* Level of Significance 1%, ** Level of Significance 5%, *** Level of Significance 10%

**** The number of regions is based on the same differentiation between NUTS 2 and NUTS 3 regions as depicted in the maps of section 8. To avoid reduction of the data set included in the regressions by about one third, as of missing data for one or another variable, missing data have been excluded on the basis of coupled rather than data set exclusion.

Source: IRS calculation, ESPON Database, Newcronos

Table 20-12: SPD Priorities

Cyprus SPD	
Viable Rural Development	67.5
Regeneration of Urban Areas in Decline	30.0
Technical Assistance	2.5
Estonia SPD	
Human Resources Development	20.5
Competitiveness of Enterprises	19.7
Rural Development and Agriculture	18.7
Infrastructure and Local Development	37.2
Technical Assistance	3.9
Latvia SPD	
Promotion of Territorial Cohesion	32.6
Promotion of Enterprise and Innovation	25.0
Development of Human Resources and Promotion of Employment	21.2
Promotion of Development in Agriculture and Rural Areas	14.6
Promotion of Sustainable Fisheries Development	3.9
Technical Assistance	2.7
Lithuania SPD	
Social and Economic Development of the Economy	39.4
Human Resource Development	18.3
Development of the Productive Sector	25.3
Rural and Fisheries Development	15.3
Technical Assistance	1.7
Malta SPD	
Strategic Investments and Strengthening Competitiveness	60.0
Developing People	17.0
Rural Development and Fisheries	11.0
Regional Distinctiveness of Gozo	10.0
Technical Assistance	2.0
Slovenia SPD	
Promoting the Productive Sectors and Competitiveness	57.5
Knowledge, Human Resources Development and Employment	31.9
Restructuring of Agriculture, Forestry and Fisheries	9.9
Technical Assistance	0.8

Source: CEC (2004) http://europa.eu.int/comm/regional_policy/index_en.htm and country programme

Table 20-13: CSF Operational Programmes

Poland CSF	
OP Improved Competitiveness	15.1
OP Human Resources Development	17.8
OP Rural Development and Modernisation of Food Sector	14.4
OP Fisheries and Food Processing	2.4
OP Transport	14.1
Integrated Regional OP	35.9
OP Technical Assistance	0.3
Czech Republic CSF	
OP Human Resources Development	21.9
OP Industry and Enterprise	17.9
OP Rural Development and Multifunctional Agriculture	12.0
OP Infrastructure	16.9
Joint Regional Operational Programme	31.2
SPD Objective 2 and Objective 3 Prague	
Slovakia CSF	
OP Industry and Services	14.5
OP Human Resource Development	27.3
OP Agriculture, Rural Development and Fisheries	17.6
OP Basic Infrastructure	40.6
SPD Objective 2 and Objective 3 Bratislava	
Hungary CSF	
OP Human Resources Development	28.2
OP Economic Competitiveness	21.5
OP Agriculture and Rural Development	15.9
OP Environment and Infrastructure	16.4
OP Regional Development	18.0

Source: CEC (2004) http://europa.eu.int/comm/regional_policy/index_en.htm and country programming documents

Table 20-14: Chapters of the Acquis

	Chapter	Comments
1	Free Movement of Goods	Free movement of goods is one of the corner stones of the internal market. Much of this chapter of the *acquis* deals issues relating to the adoption of common regulatory framework to ensure products can move freely from one part of the Union to another. Taken as a whole, this chapter could have links to trade flows, patterns of economic development.
2	Free Movement of Persons	This area of the *acquis* covers: mutual recognition of professional qualifications, citizen's rights, free movement of workers and co-ordination of social security schemes. Legislation to ensure the free movement of workers could have particular consequences for patterns of migration, especially migration to major urban centres.
3	Freedom to Provide Services	The *acquis* in this sector lays down the minimum requirements for the different types of banking, insurance and investment services.
4	Free Movement of Capital	Prohibits all but a few restrictions on the movement of capital between Member States.
5	Company Law	The *acquis* in this chapter covers very different legislative fields: company law, accounting law, protection of intellectual and industrial property rights.
6	Competition Policy	The competition *acquis* is based on Article 31 (State monopolies of a commercial character), Articles 81-85 (Rules applicable to undertakings), Article 86 (public undertakings and undertakings with special or exclusive rights) and Articles 87-89 (Rules applicable to State aid) of the EC Treaty, as well as Articles 65 and 66 of the ECSC Treaty, due to expire in 2002. The control of mergers is done on the basis of the EC Merger Regulation 4064/89 (as amended).
7	Agriculture	Agriculture is the largest of the negotiation chapters and covers a wide range of issues including: financial and market related aspects of agriculture and veterinary and phytosanitary aspect of agriculture. The first element of this chapter, through payments to farmers and rural development measures, could have major impact on the structure and development of rural areas, the rural environment and linkages between urban and rural areas.
8	Fisheries	Covers legislative alignment and administrative capacity of countries to manage the Common Fisheries Policy.
9	Transport Policy	The road, rail, aviation and maritime -related *acquis* covers a vast area of social, technical, fiscal, safety and environmental requirements. Upon accession the infrastructures of the new Member States will form part of an enlarged Trans European Network.

10	Taxation	The EU *acquis* in this chapter mainly covers indirect taxation, in particular the Value Added Tax (VAT) and excise duties regimes, while on direct taxation the *acquis* is limited to legislation on corporate taxation.
11	EMU	The participation in EMU presupposes the adoption of the Single Market *acquis* by the new Member States, in particular of the *acquis* on free movement of capital (chapter 4), as was the case for present member states.
12	Statistics	The main issue is rather whether the countries are able to produce accurate and harmonised data in a permanent and sustainable way.
13	Social	Covers labour law, equality of treatment between women and men, anti-discrimination, health and safety, social protection, social dialogue, employment, public health and institutions for the implementation and enforcement of the above.
14	Energy	The energy *acquis* represents the body of all energy related EU law, regulations and policies. Implementing the *acquis* requires not only adequate legislation but also well functioning institutions (for example a regulatory body as required in the electricity and gas directives, a nuclear safety authority etc). Of particular relevance are requirements to address the social, regional and environmental consequences of the restructuring of mines; waste less energy and increase the use of renewable energies such as wind, hydro, solar and biomass in their energy balance and improve energy networks in order to create a real European market.
15	Industrial Policy	The *acquis* under this chapter consists of general industrial competitiveness policy guidelines.
16	SMEs	Covers the area of enterprise policy, distributive trades, tourism, and social economy. The subject of this chapter is important in the context of economic development and the capacity to withstand competitive pressure, in particular overall Enterprise/SME policy formulation and implementation and general business environment.
17	Science and Research	The *acquis* consists of a large number of Council and Commission Decisions concerning two areas: Framework Programmes of European Community activities in the field of research, technological development and demonstration and of the European Atomic Energy Community for research and training activities; Science and Technology Cooperation agreements with third countries.
18	Education and Training	Education, training and youth is primarily the competence of the Member States. The Community's *acquis* consists of a Directive (education of the children of migrant workers) and various other issues (e.g. equality of opportunity, illiteracy, safety in schools, facilities for minorities, etc)
19	Telecommunications and IT	EU policy on telecommunications and the postal sector

20	Culture and Audiovisual Policy	The focus of this chapter is alignment by the new Member States and Candidate Countries with the "Television Without Frontiers" Directive and participation in EU programmes such as Culture 2000.
21	Regional Policy and Coordination	Upon accession new Member States will have to comply with certain regulations: appropriate legislative framework, territorial organisation, programming capacity, administrative capacity and financial and budgetary management.
22	Environment	In broad terms EU environmental legislation covers environmental quality protection, polluting and other activities, production processes, procedures and procedural rights as well as products.
23	Consumer Health and Protection	Consumer health and protection legislation.
24	Justice and home affairs	Perhaps the most visible component of the EU's Justice and Home Affairs policies is the Schengen *acquis*, which results in the lifting of internal border controls.
25	Customs Union	The *acquis* under this chapter consists mainly of a number of instruments ensuring the functioning of the Customs Union and the effective protection and control of its external borders.
26	External Relations	Covers the Community's economic and trade relations with third counties.
27	CFSP	Most of the *acquis* relates to intergovernmental cooperation.
28	Financial Control	Pertaining to the agreed principles of sound financial management and control.
29	Finance and Budgetary Provisions	Covers rules concerning the organisation, establishment and implementation of the EU budget.
30	Institutions	Mainly covers the composition and functioning of institutions and bodies established under treaties or secondary legislation.
31	Other	

Table 20-15: Acquis Chapters and Territorial Development Themes

	Chapter	Spatial Cohesion	Balanced Spatial Competition	Spatial Integration	Wise Management of Natural and Cultural Heritage
Notes: √ - indicates a potentially strong relationship; √ - indicates a tangential or weak relationship					
1	Free Movement of Goods	√	√	√	-
2	Free Movement of Persons	√	√	√	-
3	Freedom to Provide Services	-	√	√	-
4	Free Movement of Capital	√	√	√	-
5	Company Law	-	-	-	-
6	Competition Policy	√	√	√	-
7	Agriculture	√	√	√	√
8	Fisheries	√	√	√	√
9	Transport Policy	√	√	√	√
10	Taxation	-	-	-	-
11	EMU	-	√	√	-
12	Statistics	-	-	-	-

13	Social	√	√	-	-
14	Energy	-	√	√	√
15	Industrial Policy	-	√	√	√
16	SMEs	√	√	√	-
17	Science and Research	√	√	√	-
18	Education and Training	√	√	√	-
19	Telecommunications and IT	√	√	√	√
20	Culture and Audiovisual Policy	-	√	√	√
21	Regional Policy and Coordination	√	√	√	√
22	Environment	√	√	√	√
23	Consumer Health and Protection	-	-	-	-
24	Justice and Home Affairs	-	√	√	-
25	Customs Union	-	√	-	-
26	External Relations	-	-	-	-
27	CFSP	-	-	-	-
28	Financial Control	-	-	-	-
29	Finance and Budgetary Provisions	-	-	-	-
30	Institutions	-	-	-	-
31	Other	-	-	-	-

Table 20-16: Summary of National Regional Policy Objectives

Status	Country	Policy	Key Objectives
Central East European New Member States	**Czech Republic**	1998 – Principles of Regional Policy 2000 - Act on Support for Regional Development (No. 248/2000)	• Equal chances to all regions • Contributing to balanced and harmonious development, • Reducing unjustified differences between the levels of development • Improving regional economic structure".[1]
	Estonia	1994 - Guidelines of Regional Policy 1999 - Regional Development Strategy of Estonia	• Balanced socio-economic growth of all the regions • Sustainable development • National territorial integrity
	Hungary	1998 - Act on Regional Development and Physical Planning (amended) 2003 - National Spatial (Physical) Development Plan.	• The promotion of the social market economy in all regions of the country • The control of significant differences in terms of living standards, • The encouragement of the harmonious development of the spatial structure and settlement network of the country; • The maintenance and strengthening of national and regional identity. • Principal directives for land use development

[1] National Development Plan http://www.mmr.cz/index_en.html p.86

	Latvia	1996 - Concept of Latvian Regional Development Policy 2002- Law on Spatial Planning 2002 - Regional Development Law	• Favourable and equal environmental, living and working conditions in all regions • Reduce and eliminate unfavourable regional disparities • Ensure sustainable and balanced development • Integration of Latvia into the EU and its regional development process • Promote sustainable and balanced development • Promote and ensure balanced sustainable development of the state • Reduce the unfavourable differences between them • Preserve and development the characteristic of the natural and cultural environment
	Lithuania	1998 - Government Decree no. 902 on 'Regional Policy Guidelines' 1999 - Decree no 538 on the Implementation of Regional Policy Guidelines' (1999) (2002 a reform of the Law on Regional Development was approved by the Parliament)	• Support to the development of a market economy in each region; • Creation of favourable conditions for long-term development; • Improvement of infrastructure responding to social-economic and environmental demands; and • Reduction of economic, cultural, educational disparities as well as disparities of living conditions between the Lithuanian regions.
	Poland	2000 - Law on the principles of supporting regional development, National Strategy for Regional Development	• Construction and modernisation of infrastructure to strengthen the competitiveness of regions • Restructuring of the economic bases of the regions and creating conditions for their diversification • Development of human resources and strengthening the institutions of regional policy • Supporting areas requiring activation and threatened by marginalisation • Develop the international co-operation of regions

	Slovakia	2000 - Principles of the Regional Policy of the Slovak Republic 2002 - Act on Support of Regional Development	• Provide for a well-balanced economic development and social development • Remove or mitigate disparities • Prevent the origination of new regions with lower economic performance and living standard of population, • Sustainable economic development and social development of regions.
	Slovenia	1999 - Law on Balanced Regional development 2003 - Spatial Planning Act	• Promotion of balanced economic, social and spatial development aspects; • Reduction of the differences in the levels of economic development and living conditions, • Preventing the emergence of new areas with major development problems; • Preserving settlements in Slovenia • Promotion of environment-friendly production, including the protection of natural resources, cultural heritage.
Central East European Candidate Countries	**Bulgaria**	1998 - Regional Development Act 2001 - Law on Spatial Planning 2004 - Regional Development Act	• Stable, sustainable and balanced development of the individual regions; • Reducing regional disparities in employment and income; and • Opening up Bulgaria through cross-border co-operation as a way to face regional and local development challenges. • Use, protection and building of the territory as well as with the required spatial and urban development schemes and plans. • Came into force on the 1st of January 2004.
	Romania	1998- Regional Development Act	• the reduction of existing regional disparities • the prevention of new regional imbalances; • the correlation of regional development policies with the government's sectoral development policies; and • the stimulation of inter-regional co-operation, both internal and international, as one of the possible ways to contribute to economic development.

New Member States (Island Economies)	**Cyprus**	In view of the size of the island and its partition, Cyprus does not have a regional policy as such. The government of the Republic has set up a National Development Plan administered by the Planning Bureau and an Island Plan administered by the Town and Country Planning Service. Both are aimed at the harmonious development of all areas of the island. However, since 1974, the planning documents have been limited to the southern part of the island.	
	Malta	The Development Planning Act (Cap. 356) governs land-use. It requires the preparation of a twenty-year national Structure Plan and subsidiary plans including local plans, action plans and subject plans. The Structure Plan provides a strategic framework for spatial development in Malta and Gozo and sets down industrial, residential and rural policies and also includes policies in relation to tourism development, heritage protection, social and community facilities and transport infrastructure. The Planning Authority is currently in the process of undertaking a review of the Structure Plan. The new Structure Plan will draw upon the European Spatial Development Perspective and take account of the fundamental role of European policy in this respect.	
Non-EU States	**Norway**	The present government presented their regional and district policy to the Parliament on 30 April 2002. 2001 White Paper on Regional Policy proposed to transfer greater spending powers to the county	• Establish frameworks that are sufficient that activity, capital, and labour will remain in Norway and to attract foreign investments. • Focus more on regions and centres that have growth potential. The government wants to strengthen growth where it exists and at the same time ensure the basis for good living conditions in all parts of the country. • Prioritise instruments that can contribute to strengthening the ability for innovation and new establishments in all parts of the country with an emphasis on reaching potential entrepreneurs and innovators. • Delegate and decentralise more responsibilities and more tasks to regional and local level.
	Switzer-land	2003 - Strategy for Swiss regional policy	• Strong centres and agglomerations that function as motors of development for the whole of Switzerland • Dynamic rural and peripheral regions, that are able to profit from the impulses generated from the centre, oriented towards the broader spatial economy and able to generate added value • Exploitation of potentials to create regional added value through innovation and a culture of enterprise. • The incorporation of sustainable development principles

Source: European Policies Research Centre, University of Strathclyde

Table 20-17: Summary of Indicative National Regional Policy Instruments[2]

Status	Country	Type	Regional Policy Instrument
Central East European New Member States	**Czech Republic**	Regional Incentives Framework Measures/Infrastructure Development Strategies	Targeted financial support for industrial enterprises; SME development; and entrepreneurship Support for redevelopment and construction of technical infrastructure in designated areas. Support for redevelopment and construction of technical infrastructure in the former military bases National Development Plan, Regional Development Strategies
	Estonia	Regional Incentives Framework Measures Infrastructure Support Development Strategies	Regional Development Fund with the ability to provide regionally differentiated credits; regional tax relief, corporate tax reductions Business promotion centres in counties, regional development zone status. support for new entrepreneurs and SMEs. Local public transport and communications subsidies. National Development Plan, Estonian Regional Development Strategy , 7 Regional Development Programmes
	Hungary	Regional Incentives Framework Measures Infrastructure Support Development Strategies	Targeted Decentralised Assistance: tax relief for longer term investments Support for business services (including incubator and innovation parks). Integrated regional programme (IRP) provides financial resources for infrastructure National Development Plan, National Regional Development Concept, Regional Development Plans
	Latvia	Regional Incentives Framework Measures Development Strategies	Tax incentives and support for SMEs. Incentives include. Two free ports Support for SMEs in disadvantaged regions Improve business environment of economic zones National Development Plan; District Development Plans
	Lithuania	Regional Incentives Framework Measures Development Strategies	Free economic zones Future national regional policy is to be implemented by giving assistance to enterprises and by regulating local government revenue. National Development Plan
	Poland	Regional Incentives Framework Measures Development Strategies	Grants, which are channelled to beneficiaries through the voivods. Support for the development of entrepreneurship, economic competitiveness and innovation; environmental, education and cultural programmes. National Development Plan, National Strategy for Regional Development,Voivodships carry out their own policy of regional development and have their own strategies of regional development.
	Slovakia	Regional Incentives Framework Measures Development Strategies	Support to structurally disadvantaged and economically weak regions: State support for the development of services for regional development; support for the development of new technologies National Regional Development Plan Regional Development Concepts

[2] Information accurate for 2001

	Slovenia	Regional Incentives Framework Measures/Infrastructure Investment Development Strategies	Soft loans and guarantees for bank loans for productive investment by SMEs and small agricultural businesses Local infrastructure investment National Development Plan
Central East European Candidate Countries	**Bulgaria**	Regional Incentives Framework Measures Development Strategies	Investment subsidies, direct investment, preferential state and local charges, financial guarantees, transfer of physical infrastructure resources Structures that support local business activity e.g. regional development agencies, business incubators etc. Regional Development; District Plans for Regional Development
	Romania	Regional Incentives Framework Measures/Infrastructure Investment	Exemption from customs duties, exemption for tax on profit Future measures to support regional development improvements to local and regional infrastructure, improved access to vocational training National Development Plan, Range of planning instruments including national and regional strategies.
New Member States (Island Economies)	**Malta**	Regional Incentives Development Strategies	Grants for Gozo based companies to cover the costs of transport of raw material and equipment between Malta and Gozo Grants for approved training programmes National Development Plan, and Planning Documents for Malta and Gozo
	Cyprus	Incentives (national) Framework Measures Development Strategies	Grants, loans, tax allowances, loan guarantees, though gradual shift in emphasis towards aid supporting SMEs, technology, research and development. Industrial Free zones National Development Plan
Non-EU States	**Norway**	Regional Incentive Framework Measures Infrastructure	Regional selective support to businesses, Support for 'Action Zones', investment grant, regional risk loan is one of a number of loans with a specifically regional development purpose Cluster development Transport aid scheme for businesses - partial refund on goods transported to and from enterprises.
	Switzer-land	Regional Incentive Framework Measures Development Strategies	Subsidies and loan guarantees for SME's; a package of loans, loan guarantees and interest subsidies for the hotel industry; and, two programmes that promote cooperative projects in rural and tourism areas Investment programme in mountainous regions; part-financing of areas that are undergoing economic renewal Swiss Development Strategy

Source: European Policies Research Centre, University of Strathclyde

Table 20-18: Summary of National Spatial Targeting

Status	Country	Areas Benefiting from Targeted Regional Assistance
Central East European New Member states	**Czech Republic**	• regions with structural problems • economically weak regions • rural areas • other regions - for example border regions, former military areas, regions affected by natural disasters, regions with a highly disturbed or damaged environment
	Estonia	• agriculture dependent regions; • industrial regions undergoing restructuring, and • isolated regions
	Hungary	• industrial regions • rural-agricultural regions
	Latvia	• Economically weak • Less favoured territories
	Lithuania	• Unemployment level in a region is significantly higher than the country's average; and/or • Living conditions in a region are significantly worse than in other regions of the country.
	Poland	• Northern and Eastern regions facing barriers to the utilisation of the endogenic development potential • Regions with underdeveloped or worn down metropolitan functions • Regions with low levels of development, weak industrial structures and restructuring agricultural areas. • Also state support for special economic zones.
	Slovakia	• Economically weak regions that on the basis of economic and social development indicators • Regions with an adverse structure

	Slovenia	• Regions where per-capita GDP deviates by more than 20 % of national average • Areas with special development problems: economically weak, de-populating areas, industrial areas with structural problems and high unemployment and border areas and other areas with limited development potential.
Central East European Candidate Countries	**Bulgaria**	• Growth districts and development districts • Underdeveloped rural areas • Regions of industrial decline high annual unemployment. • Border Areas • Mountainous areas • Areas of high unemployment
	Romania	• mono-industrial productive structures • mining zones • the occurrence of collective dismissals, which affect more than 25 per cent of employees living in the area; • an unemployment rate which is greater than 25 per cent of the national unemployment rate; and • a lack of means of communication and a poor infrastructure.
Island Economies	**Cyprus**	• The Town and Country Planning Law (No. 90/72) of 1972, as amended and entered into force in 1990, provides four main instruments for formulating, monitoring and implementing urban and regional planning, namely the Island Plan, Local Plans, Area Schemes and Statement of Policy for the Countryside.
	Malta	• The Island of Gozo
Non-EU States	**Norway**	• Northern, peripheral areas, Finnmark and North Troms • Nord-Trøndelag counties, and several municipalities in Sør-Trøndelag, Møre og Romsdal and Sogn og Fjordane counties as well as the northernmost municipalities of Hedmark and Oppland counties.
	Switzerland	• Investment Aid for Mountain Regions • Areas Undergoing Economic Renewal

Source: European Policies Research Centre, University of Strathclyde

Table 20-19: Summary of National Institutional Arrangements

Type of state	States	National Ministry	Regional bodies	Nuts level	Representation, budgetary and legislative powers of regional institutions	Participation of regional institutions in national regional policy
Federal	**Switzerland**	Swiss Federal State Secretariat for Economic Affairs Cantons	7 Planning Regions	II	Highly decentralised	Cantons play an important role in the management implementation and co-finance for the projects.
			26 cantons			
Regionalised unitary	**Czech Republic**	Ministry for Regional Development	8 Planning regions	II	Political regionalisation. Elected parliament; limited budgetary powers, limited right to levy taxes.	Self-governing units have regional policy programming and implementation responsibilities in consultation with the centre.
			14 Self-governing regions	III		
	Poland	Ministry of Economy, Labour and Social Policy	16 voivodships (dual, self-governing/deconcentrated character)	II		
	Slovakia	Ministry for Construction and Regional Development	4 Planning regions	II		
			8 self-governing regions	III		
Decentralised unitary	**Bulgaria**	Ministry of Regional Development and Public Works	6 Planning regions	II	Administrative regionalisation: no elected parliament;	Decentralised government agencies have regional-level administrative and
	Estonia	Ministry for Internal Affairs	5 Planning regions	III		
	Hungary	Ministry of Agriculture and Regional Development	7 Planning regions	II		

	Latvia	Ministry of Environmental Protection and Regional Development	5 Planning regions	III	no right to levy taxes, no budgetary powers and all powers and financial resources transferred from central government	planning functions in consultation with groups of districts/counties.
	Lithuania	Ministry of the Interior		III		
	Romania	National Board for Regional Development Executive body of the NRDB is Ministry of European Integration	8 Planning regions	II		
			41 Counties + Bucharest			
	Slovenia	Ministry of Economic Relations and Development	3 Planning Regions	IV		
			4 Administrative Units			
	Malta	Ministry for Economic Services Ministry for Gozo	3 planning regions	III IV		
			6 Districts			
	Republic of Cyprus	Ministry of Interior	6 Districts	V		
	Norway	Ministry of Local Government and Regional Development	19 Countries			

Source: European Policies Research Centre, University of Strathclyde

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