
Evaluation of the Added Value and Costs of the European Structural Funds in the UK

Final Report to the Department of Trade and Industry (DTI) and
the Office of the Deputy Prime Minister (ODPM)

ECOTEC
Research & Consulting Limited

6-8 Marshalsea Road,
London SE1 1HL
United Kingdom

Tel: +44 (0)20 7089 5550

Fax: +44 (0)20 7089 5559

Web: www.ecotec.com

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6-8 Marshalsea Road,
London SE1 1HL
United Kingdom
Tel: +44 (0)20 7089 5550
Fax: +44 (0)20 7089 5559

Web: www.ecotec.com
E-mail: korina_cox@ecotec.co.uk

Priestley House
28-34 Albert Street
Birmingham B4 7UD
United Kingdom
Tel: +44 (0)121 616 3600
Fax: +44 (0)121 616 3699

13b Avenue de Tervuren
B-1040 Brussels
Belgium
Tel: +32 (0)2 743 8949
Fax: +32 (0)2 743 7111

Modesto Lafuente 63 – 6a
E-28003 Madrid
Spain
Tel: +34 91 535 0640
Fax: +34 91 533 3663

31-32 Park Row
Leeds LS1 5JD
United Kingdom
Tel: +44 (0)113 244 9845
Fax: +44 (0)113 244 9844

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EXECUTIVE SUMMARY

This report presents the findings of the Evaluation of the Added Value and Costs of the European Structural Funds in the UK. The study has been conducted on behalf of the Department of Trade and Industry (DTI) and the Office of the Deputy Prime Minister (ODPM).

The definition of added value that has been adopted for this study is:

“The economic and non-economic benefit derived from conducting interventions at the Community level rather than at the regional and/or national level”.

The aims of the study, as outlined in the Terms of Reference, are to provide an assessment of:

- 1) Whether and in what ways, Structural Fund programmes/funding in the UK produce added value compared to domestic initiatives;
- 2) What, if any, additional costs are associated with Structural Funds compared to domestic initiatives;
- 3) What specific elements of the Structural Funds (implementation, design etc.) are responsible for these additional benefits and costs.

The purpose of the study is to identify lessons from the operation of the Structural Funds in the UK to inform the development of future programmes.

The Terms of Reference and approach to this study were developed in the light of findings of a study, conducted on behalf of the DTI and ODPM by EPRC and Fraser Associates¹, which examined the feasibility of evaluating the impact and added value of the Structural Funds in the UK. The study recommended a qualitative approach to examining the added value effects of Structural Funds.

This study draws on evidence of the effects of Structural Funds from four sources:

1. A review of evaluation and academic literature, focusing primarily on the experience of the 1994-99 programming period;
2. Mid-term evaluations of 2000-06 Structural Fund programmes;
3. An Internet Survey of Structural Fund stakeholders conducted as part of the study;
4. A public opinion survey designed to explore the political effects of the Structural Funds.

¹ European Policies Research Centre at the University of Strathclyde and Fraser Associates (2002) *Feasibility Study for an Evaluation of the Impact and Added Value of the EU Structural Funds in the UK* (London: Department for Trade and Industry)

KEY FINDINGS

Policy Effects

- The primary policy effect of the Structural Funds has been in reinforcing domestic policy priorities in designated areas, such as active labour market policies. Costs arising from tensions between European regional development policy priorities and domestic priorities appear to have declined as greater integration of European Union (EU) and domestic policy objectives has been achieved. Nevertheless, the research identified some specific examples of obstacles and frustrations involved in pursuing some actions identified as local and/regional priorities through the Structural Funds.
- Whilst the Structural Funds have demonstrated their capacity to promote new policy approaches in some domains, the contribution of Structural Fund programmes to policy development in the UK appears to have declined over time. The Community Initiatives and the Innovative Actions of the Structural Funds have had a more prominent added value contribution to domestic policy development and still offer potential. However, available evidence does not point to a significant or consistent ‘mainstreaming’ influence on domestic policy. The relationship between Structural Funds and domestic policy seems to be one of mutual learning.
- Local domestic funding priorities are sometimes bent in order to maximise the benefits that can be obtained from the Structural Funds. This involves targeting domestically funded actions to areas or activities that are eligible for support from the Structural Funds.

Practice Effects

- The most commonly identified effects of the Structural Funds on projects are that additional resources are used to extend the scope or depth of projects or to develop complementary activities. There is evidence that availability of the Structural Funds encourages partners to ‘think big’ and undertake sub-regional projects that might otherwise not occur. This does not imply added value of the Structural Funds *per se*, as domestic initiatives could emulate this, but is perceived by some stakeholders to constitute added value.
- There is no conclusive evidence that projects supported by the Structural Funds are consistently and substantially different to those funded by domestic initiatives in terms of their quality or effectiveness.
- Respondents to the Internet Survey suggest that the Structural Funds support genuine innovations in policy and practice. Some mid-term evaluations report

that project sponsors have also put forward this view. However, these findings are not wholly supported by independent assessments of project activity undertaken as part of programme evaluations. These have more typically highlighted the role of the Programmes in promoting the transfer of good practice rather than stimulating new ways of working. There is stronger evidence that Community Initiatives promote genuine innovation than mainstream Objective programmes. Support for the transfer of good practice, where present, can be considered as constituting added value.

- Partnership-based approaches to project delivery are a common and valued feature of Structural Funds projects but available evidence suggests that the Structural Funds bring limited added value advantages when compared with domestic programmes.
- One area where domestic initiatives would have more difficulty emulating the Structural Funds is the trans-national and cross-border networking of the Community Initiatives and Innovative Actions. This appears to be a potential area of added value for the UK which is largely untapped at present.

Funding Effects

- Funding effects of the Structural Funds do not seem to contribute a significant level of added value. Evaluation findings suggest that resources generate more projects with some occurring at an earlier point in time and with greater scale and scope than would otherwise have been the case. However, these effects could be achieved with additional domestic resources.
- Two funding effects which may constitute added value are very noticeable:
 - The identification of significant areas or regions as requiring specific assistance, particularly through Objective 1 of the Structural Funds, has influenced the overall approach to regional development in these areas.
 - Where new programmes are announced there is an immediate catalyst effect on the development process.
- The multi-annual funding profile of programmes does not appear to add a significant amount of added value with respect to the long-term planning of interventions, partly because long term planning requires certainty of funding across all (domestic) match-funding streams.
- Evidence on the degree to which the Structural Funds lever in additional resources to designated areas is inconclusive. Structural Fund stakeholders responding to the Internet Survey expressed positive views on leverage. Some mid-term evaluations, most notably those of newly designated Objective 1 areas, also report a leverage effect. On balance, available evidence suggests that there is probably a positive effect, but it is primarily local and regional sources of funds that are

mobilised and/or re-distributed to support the implementation of Structural Fund programmes.

- The Structural Funds have specifically encouraged the involvement of the community and voluntary sectors in developing strategic responses to development issues. This is seen as a positive feature of programmes. In so far as Structural Funds provide a means for voluntary and community sector organisations to deliver services that would not otherwise occur a degree of added value is present.

Management and Implementation Processes

- The multi-annual programming approach of the Structural Funds, based on principles of partnership, is often held up as one of the primary areas of added value. Programmes set out costed priorities over time (currently 7 years). They provide a transparent strategy and an associated financial plan that requires common agreement amongst a wide range of partners. This is relatively unusual for domestic strategies, particularly at the regional scale. This would appear to be beneficial and should add value.
- There is evidence that the Structural Funds have stimulated strategic partnership working and, over time, have enhanced capacity for developing strategic responses to regional development problems. However, there is limited evidence that Structural Fund strategic partnerships are adding significant value today.
- The approach to programme preparation is perceived to have associated costs. It is a complex and time-consuming process. In addition, some stakeholders perceive programmes to be inflexible because the time taken to adjust spending plans means they are unable to respond quickly to shocks and changing regional conditions. However, there is no evidence from the mid-term evaluations that this is a significant cost.
- Administration processes are widely described as a burden and more resource intensive than those for domestic programmes, despite the efforts to streamline and improve some aspects.
- Some stakeholders see the cost of administrative processes as a ‘price worth paying’. Project selection and monitoring processes are widely considered to be robust. Yet, despite the rigour of these processes and investment in supporting applicants to meet their requirements, there is no clear evidence that this has resulted in better projects – in terms of quality, effectiveness or value for money.
- The Structural Funds have supported the development of an evaluation culture in the organisations involved in implementation. However, there are also reported costs, and some perceive that the number of indicators used for performance

monitoring is excessive. There is no evidence that evaluation procedures have influenced evaluation practice in the UK more generally.

Political Effects

- Research on public opinion undertaken as part of this study does not point to a significant role for the Structural Funds in highlighting the benefits of membership of the EU.

The Added Value Contribution of the Structural Funds and Lessons for Future Programmes

We draw upon the material available to highlight those aspects of the Structural Funds that might contribute to the delivery of added value and that may offer lessons for the development of future programmes. Further work in this area is merited.

- The act of designating an area as eligible for Structural Fund support and the publicity that accompanies this does appear to have a catalytic effect on actors in the area and serves to mobilise effort. Any associated financial leverage effect can not be quantified but many regional and local actors perceive that there is a positive effect.
- The broad regional approach of the Structural Funds has encouraged projects that are larger in scope and scale than is often the case under domestic policy initiatives. There is no reason why this should be unique to the Structural Funds but it is seen as an area of added value.
- The regional programming process is certainly a strong feature of the Structural Funds and they may offer advantages in terms of the quality of the strategies they produce. Domestic regional strategies, particularly underpinning spending plans, are not necessarily subject to the same degree of transparency and rigour in their preparation, scrutiny, monitoring and evaluation, although this varies across the UK.
- The routine inclusion of a range of specialist organisations, such as environmental and equal opportunities organisations, in the preparation and implementation of programmes is believed to influence relevant programme dimensions in a positive manner.
- The rigorous selection criteria and appraisal processes that are applied to Structural Fund applications are believed to play some role in promoting awareness of horizontal themes, although there is no clear evidence that they lead to projects that address these issues more effectively.
- One manner in which the Structural Funds are able to promote innovative actions or approaches is through introducing an idea or approach that is new to the UK, or

one that is not currently prioritised. The Structural Funds have demonstrated their capacity to influence domestic policy and practice in the past, although this is not a universal characteristic of programmes. Examples show that this happens more frequently in the case of Community Initiatives and Innovative Actions.

- The trans-national dimension of some Structural Fund activities is clearly a source of some added value, although this should not be over-stated as it comprises a very small part of the Structural Funds overall.
- Potentially, one of the areas of added value offered by the Structural Funds is the semi-independent status of the European Commission and the Structural Funds in regional development in the UK. Whilst it would be wrong to overstate this role, it does seem to be important for bringing together different parties in agreeing a shared agenda for change, for establishing investment priorities and driving forward the implementation of plans.

1.0 INTRODUCTION

This report presents the findings of the Evaluation of the Added Value and Costs of the European Structural Funds in the UK. The study has been conducted on behalf of the Department of Trade and Industry (DTI) and the Office of the Deputy Prime Minister (ODPM).

The study was overseen by a Steering Group consisting of representatives of the DTI, ODPM, Her Majesty's Treasury, the Scottish Executive, the Welsh European Funding Office, the Department of Finance and Personnel for Northern Ireland, the Department for Work and Pensions, the Government Office for the North East of England and Advantage West Midlands.

1.1 Study Aims

The definition of added value that has been adopted for this study is:

“The economic and non-economic benefit derived from conducting interventions at the Community level rather than at the regional and/or national level”.

The aims of the study as outlined in the Terms of Reference are to provide an assessment of:

1. Whether and in what ways Structural Fund programmes/funding in the UK produce added value compared to domestic initiatives;
2. What, if any, additional costs are associated with Structural Funds compared to domestic initiatives;
3. What specific elements of the Structural Funds (implementation, design etc.) are responsible for these additional benefits and costs.

The purpose of the study is to identify lessons from the operation of the Structural Funds in the UK to inform the development of future programmes.

1.2 Background to the Study

The Terms of Reference and approach to this study were developed in the light of findings of a study, conducted on behalf of the DTI and ODPM by EPRC and Fraser Associates², which examined the feasibility of assessing the impact and added value of the Structural Funds in the UK.

² European Policies Research Centre at the University of Strathclyde and Fraser Associates (2002) *Feasibility Study for an Evaluation of the Impact and Added Value of the EU Structural Funds in the UK*, June

The feasibility study had the following aims:

- To develop a meta-analysis of evaluations already carried out on the Structural Funds and other relevant national policy initiatives in the areas of enterprise and regeneration and assess the different methodologies employed in light of a comprehensive Structural Funds evaluation;
- To map the programmes, priorities and measures of the Structural Funds against other national policy initiatives throughout the UK in the areas of enterprise and regeneration, covering the aims and objectives, financial flows, intermediary organisations and target beneficiary groups;
- To start assessing the interaction between the Structural Funds and national policy initiatives in the fields of enterprise and regeneration through examination of appropriate PSA targets, regional strategies and other relevant documents;
- To establish data quality and availability, as well as a typology of the regions of the UK;
- To produce recommendations for the design and scope of the future evaluation.

The feasibility study identified a number of obstacles to undertaking a quantitative assessment of the added value of the Structural Funds and concluded that a quantitative approach was not immediately feasible. Identified methodological constraints included weaknesses in the availability and format of expenditure data for Structural Funds and domestic programmes and difficulties in establishing the counterfactual situation. As an alternative to quantitative research, the study recommended a qualitative approach to examining the effects of Structural Fund funding, additionality of outcomes and administration. The feasibility study also recommended the definition of added value that has been adopted for this study (see section 1.1) and presented an evaluation framework, which has been developed for use in this study (see section 2.1).

A further consideration in the design of the full evaluation study was that the study timetable coincided with those for the mid-term evaluations of 2000-06 programmes. To minimise the potential for duplicating research effort and to avoid placing additional burden on Structural Fund stakeholders being interviewed as part of the mid-term evaluations, the methodology developed was designed to capture relevant qualitative evidence of added value emerging from these parallel studies. Research evidence generated by the mid-term evaluations has been augmented with two strands of primary research. Firstly, an Internet Survey of Structural Fund stakeholders; and secondly, a public opinion survey conducted specifically to examine the political effects of the Structural Funds. The study also draws on evidence from a literature review. These sources of evidence are examined further in Chapter 2.

This report describes and analyses evidence from the sources identified under a series of themes identified in the evaluation framework as areas where the Structural Funds potentially have an added value or cost effect (see section 2.1 for an overview of the

evaluation framework). The concluding chapter of the report provides an interpretation of this evidence in light of the research questions and attempts to draw out lessons for the development of future programmes. Our approach to the analysis of evidence acknowledges that there are a range of views on the added value and costs of the Structural Funds. We have sought to reflect this diversity in perspectives as well as identify aspects where available evidence is more conclusive.

It should be noted that the study commenced in February 2003 and has not taken into account the evidence gathered as part of the Government consultation on the future of EU regional policy that was conducted during the summer of 2003.

The remainder of this report is structured as follows:

- Chapter 2 provides further information on the method and sources of evidence that have informed this study;
- Chapter 3 examines evidence of the effect of the Structural Funds on policy in the UK;
- Chapter 4 describes evidence of effects of the Structural Funds on project activities and outputs;
- Chapter 5 explores the funding effects of the Structural Funds;
- Chapter 6 provides an analysis of evidence relating to Structural Fund implementation methods;
- Chapter 7 considers evidence of political effects;
- Chapter 8 presents our conclusions on the added value and costs of the Structural Funds.

2.0 METHOD AND SOURCES OF EVIDENCE

2.1 Evaluation Framework

The overall approach to this study has involved collating, synthesising and analysing a series of research outputs to provide a qualitative assessment of the effects of the Structural Funds. We have employed a triangulation approach in identifying and assessing research evidence against a set of criteria relating to the added value and costs of the Structural Funds. The full evaluation framework and detailed assessment criteria, which were adapted from an evaluation framework developed as part of the feasibility study, are presented in Annex 1. The headline assessment criteria are as follows:

1. Advancement of domestic and community policy priorities
2. Financial criteria
3. Structural fund implementation method
4. Project activities and outputs
5. Results of interventions
6. Impacts of interventions

Based on the findings of the feasibility study, it was anticipated that the research sources identified as input into this study would provide only partial coverage of some added value criteria. Nevertheless, it was felt important that the study should examine available evidence relating to the full range of potential added value effects.

2.2 Research Sources

The research and analysis phase of the study involved bringing together evidence from four sources:

- A literature review
- Mid-term evaluations of the 2000-06 Structural Fund programmes
- An Internet Survey of Structural Fund stakeholders
- A public opinion survey

These sources are considered below.

2.2.1 Literature Review

The study presents evidence of the effects of the Structural Funds from a review of selected published literature relating to the experience of the European Structural Funds in the UK. The focus of the literature review was guided by the recommendations of the feasibility study, which conducted a scoping exercise to

examine the potential usefulness of a wide range of Structural Funds related literature.

The principal sources of literature that have been reviewed as part of this study are:

- Thematic evaluations and assessments commissioned by the European Commission and UK government departments;
- Mid-Term/Interim and Ex-Post evaluations of the current and previous programming periods;
- Official reports and documents from Government bodies, including Select Committee reports from the UK House of Lords;
- A broad range of academic literature concerning the implementation of the European Structural Funds in the UK;
- Discussion papers published by public policy think tanks.

As recommended in the feasibility study, we have focused on the interim, ex-post and thematic evaluations completed for the Structural Fund programmes rather than programme documents and ex-ante evaluations. These were considered more valuable for assessing impact and added value.

We analysed a sample of around half of those Structural Funds evaluations reviewed by the feasibility study alongside additional interim and ex-post evaluations that have since been made available. This included the Ex-Post Evaluation of the UK's 1994-1999 Objective 1 Programmes and the Thematic Evaluation of the Structural Funds' Impact on Sustainable Development.

In addition to the various sources highlighted by the feasibility study, we also chose to review a series of additional documents, primarily from academic sources but also from policy think tanks and dissemination networks established by the Programmes themselves. These documents have provided a broad range of evidence of the potential added value and costs of the Structural Funds, considering issues such as the development of partnerships, regional strategic capacity, innovation and good practice.

National policy documents, on the whole, do not explicitly consider issues of added value or make comparisons with the Structural Funds. The exception is the evaluation of the interaction of ESF funding with the New Deal initiative. Apart from this source we have not reviewed evaluations of domestic programmes.

It is important to acknowledge that much of the literature reviewed does not examine 'added value' of the Structural Funds in an explicit manner. Relevant evidence was extracted and analysed using the assessment criteria set out in the evaluation framework presented in Annex 1.

2.2.2 Evidence from the Mid-Term Evaluations of 2000-06 Programmes.

This work stream involved collating and analysing evidence of added value and costs of the Structural Funds emerging from research carried out during the mid-term evaluations of the 2000-06 programmes.

Assessing the added value of Structural Fund programmes formed an objective in the Terms of Reference for Mid-term evaluations of all UK Structural Fund programmes that have been conducted in the course of 2003. In order to promote consistent treatment of this issue across the evaluations, and in the interests of generating robust evidence as input to this wider study of added value, the DTI and ODPM, together with the evaluation's steering group, developed topic guides for use with strategic and project informants. Whilst the request to use the topic guides did not form part of the Terms of Reference for mid-term evaluations, the DTI and ODPM, together with other Managing Authorities, negotiated with contractors to gain their co-operation in utilising these standard questions in fieldwork where practical (in light of research design and timing issues).

To encourage contractors to use the common questions in their fieldwork and present the findings in a way that would allow them to be aggregated, ECOTEC liaised with contractors for the evaluations and circulated a format for the presentation of findings. Whilst this exercise did not secure comprehensive coverage of all research questions in all mid-term evaluations, the majority of evaluators incorporated at least some of the standard questions on added value into their fieldwork. Furthermore, many contractors contributed directly to this study by providing a detailed analysis of evidence that their research generated. In other cases, ECOTEC has reviewed draft final reports for mid-term evaluation studies and extracted relevant evidence related to added value effects using the assessment criteria presented in the evaluation framework. This report contains evidence from a review of all mid-term evaluations that had reached the final reporting stage by October 2003. A list of those reviewed is set out in Annex 2.

2.3 *Internet Survey of Stakeholders*

In order to provide a consistent evidence base and to augment evidence generated by the mid-term evaluations of the 2000-06 programmes, the DTI and ODPM commissioned an Internet-hosted survey of Structural Fund stakeholders. ECOTEC advised on the design of the Survey that was developed to provide evidence of stakeholder perspectives on whether the Structural Funds offered advantages or disadvantages when compared with domestic programmes.

There were two target groups for the Survey:

- Individuals with a strategic involvement with the Structural Funds - those that have a formal role in relation to the Programme Management and Implementation structures. This included: representatives of Managing Authorities, representatives of Programme Secretariats, members of National and Regional Programme Monitoring Committees, members of formal and informal sub-groups of Programme Monitoring Committees, heads/key contacts of Action Plan accountable bodies and co-financing organisations and individuals involved in Local or Community Partnerships responsible for implementing the Structural Funds.
- Individuals with a project-based experience of involvement in the implementation of the Structural Funds but who are not involved in Programme Management and Implementation structures described above.

An invitation to participate in the Survey was emailed to 4,667 individuals. The target population was determined by the availability of email addresses supplied by Managing Authorities. The Survey generated a high number of responses with 1,358 questionnaires completed. The key characteristics of the sample were as follows:

- The greatest number of respondents were from parts of mainland Scotland, the North West and the North East, with no other regions accounting for more than 10% of the sample.
- In terms of Structural Fund programme involvement, just over half of respondents had worked with more than one Objective. A further 38% had worked with either the Objective 2 or Objective 3 programmes.
- Over 50% of respondents had worked with either the EDRF or ESF. 20% of the sample had worked with the EQUAL community initiative and 15% with the LEADER+ programme.

The representativeness of the sample cannot be determined (due to a lack of information on the overall size and make-up of the Structural Fund stakeholder population), but there is clearly considerable variation in the number of responses from different regions. Therefore, we do not attempt to highlight any intra-regional differences in the evidence that has been collated. Instead, we have used evidence from the Survey, alongside evidence from other sources, to draw general findings for the UK as a whole.

2.3.1 Public Opinion Survey

The DTI and ODPM commissioned a public opinion survey to test the assertion that the availability of funds for economic development from the European Commission has an added value benefit in terms of increasing the visibility of the EU and creating a positive feeling towards Europe among UK residents.

The Survey was designed and managed by the DTI and ODPM. ECOTEC advised on the design of the questionnaire. The Survey was conducted by BMRB as part of their Access Omnibus Research.

The Survey examined:

1. Awareness of the role that the EU plays in funding regional development and training in the UK, and whether awareness differs in Objective 1 regions, Objective 2 regions and Objective 3 regions;
2. How far membership of the EU was seen as a benefit to the UK and whether there was any correlation with the availability of the Structural Funds;
3. How far membership of the EU is seen as a hindrance to the UK and whether there is any correlation with the availability of the Structural Funds.

3.0 EFFECTS OF THE STRUCTURAL FUNDS ON POLICY IN THE UK

3.1 Introduction

This chapter examines evidence of the influence of the Structural Funds on regional development and human resource development policies in the UK.

The Structural Funds are the primary instrument for implementing EU regional policy across the Member States. They were initially designed and have subsequently evolved to reflect key EU policy priorities, namely:

- Balanced social and economic growth across the EU to promote cohesion and convergence;
- Community priorities in relation to equal opportunities, environmental sustainability and development of the information society;
- Balanced and sustainable development;
- Improve employment opportunities for workers in the Single Market and to contribute thereby to raising the standard of living.

The aims of the four Structural Funds are set out below:

- **The European Regional Development Fund (ERDF)** aims to improve economic prosperity and social inclusion by investing in projects to promote development and encourage the diversification of industry into other sectors in areas lagging behind. This fund is available in Objective 1 and 2 areas.
- **The European Social Fund (ESF)** funds training, human resources and equal opportunities schemes to promote employability of people in both Objective 1 and 3 areas. The purpose of the ESF is to contribute to the European Employment Strategy by supporting action plans set out in Member States' 'National Action Plans for Employment'.
- **The guidance section of the European Agricultural Guidance and Guarantee Fund (EAGGF)** is available in rural Objective 1 areas to encourage the restructuring and diversification of rural areas and to promote economic prosperity and social inclusion whilst protecting and maintaining the environment.
- **The Financial Instrument for Fisheries Guidance (FIFG)** funds projects to modernise the structure of the fisheries sector and related industries and to encourage diversification of the workforce and fisheries industry into other sectors. It also aims to ensure the future of the industry through achieving a balance between fisheries resources and their exploitation.

The majority of Structural Fund resources are directed to three mainstream programmes:

- **Objective 1:** Eligible areas are those that have less than 75% of average EU GDP. Objective 1 promotes the development and structural adjustment of the EU regions most lagging behind in order to bring about convergence. In total the budget for Objective 1 regions in the UK for the period 2000-06 is around £3.9 billion³.
- **Objective 2:** This aims to support the economic and social conversion of areas facing structural difficulties. In total, the UK will receive over £3.1 billion for UK Objective 2 and transitional Objective 2 areas for the period 2000 - 2006.
- **Objective 3:** This Objective involves ESF. It aims to develop labour markets and human resources and supports SMEs in developing their workforce. It is directed at the long-term unemployed and those facing particular barriers to finding fulfilling employment because of their disability, racial origin or gender. The UK will benefit from just under £3 billion of Objective 3 money for 2000-06.

In addition to the priority Objective areas, a relatively small amount of Community resources (around 5% of the Structural Funds budget) supports four Community Initiatives. The UK will receive around £916 million for these in 2000- 2006.

The current initiatives are:

- **EQUAL** funds innovative training and employability schemes to combat discrimination and inequalities in the labour market. Two related Community Initiatives, EMPLOYMENT and ADAPT, were implemented in previous programming periods.
- **LEADER +** funds rural development projects.
- **INTERREG III** provides funding to encourage cross-border, trans-national and interregional co-operation to encourage balanced and sustainable development across the EU.
- **URBAN II** funds integrated regeneration schemes in small and medium sized towns suffering from significant economic and social conversion difficulties.

The Structural Funds have a specific remit to complement Member State regional development policies but there are differences in emphasis and some scope for European monies to influence national spending priorities:

- Domestic regional policies stress the importance of tackling economic challenges in all regions in order to improve productivity and employment in the UK as a whole. EU regional policy is chiefly concerned with promoting convergence in socio-economic conditions across regions of the EU and channels the majority of Structural Fund resources to address the needs of the poorest regions.

³ Exact amounts are subject to movements in Euro- £ Sterling exchange rates.

- The mix of interventions pursued through Structural Fund programmes are subject to rigid application of State Aid regulations by the European Commission. This can serve to reduce the degree of discretion available to national and local partners in tackling identified market failures.
- The European Commission's role as a partner in the implementation of the Structural Funds means that its perspective on the barriers to development in a particular programme area, and the necessary solutions, can influence the nature of strategies that are adopted.

There is a high degree of conformity of the types of interventions that are supported by the four EU Structural Funds and domestic regional development programmes. Both the EU and domestic regional policies promote productivity improvements and employment growth through a combination of investment in sector development, innovation, investment in productive capacity and technology, enterprise support, human resource development and active labour market measures. Close attention is also paid to environmental sustainability and protecting natural resources.

The policy effect of the Structural Funds may arise through two main inter-related mechanisms:

1. The requirement to use domestic funding sources to match-fund or co-finance Structural Fund programmes, and the desire on the part of regional and other actors to maximise the 'draw-down' from the Structural Funds, has the potential to influence how domestic funding streams are deployed. Where domestic funding is 'bent' to fit with Structural Fund programmes, this can lead to an indirect policy effect. An added value policy effect might be observed where the Structural Funds are highly integrated with the domestic policy agenda and therefore serve to reinforce regional and national policy priorities. The policy effect of the Structural Funds might be considered as a 'cost' where these skew the use of domestic resources away from their intended (domestic) policy objectives. This might be in terms of the type of intervention that is supported, the prioritisation of target beneficiaries or sector and geographical areas. Any lack of integration between the policies pursued through Structural Fund programmes and domestic programmes that leads to missed opportunities for realising synergistic benefits might also be seen as a cost.
2. By stimulating thinking about the challenges faced in a particular area or sector and through testing and demonstrating innovative policy responses that, where successful, are 'mainstreamed' into national policies. This would generally be viewed as an added value policy effect.

This section explores these potential policy effects. Some key points need to be raised about the scope of the assessment that follows:

- In examining available evidence we have not delved too deeply into the history of EU or domestic regional policy. We have examined evidence based on experience from 1994 onwards and have focused primarily on up-to-date sources.
- Available evaluation evidence from the 2000-2006 programming period is focused primarily on the experience of mainstream Structural Fund programmes (Objectives 1, 2 and 3) together with evidence from evaluations of some Community Initiative Programmes (URBAN and EQUAL). Mid-term evaluations of the 2000-06 LEADER + and INTEREG are underway at the time of writing.

3.2 Integration of the Structural Funds with National Policy Priorities

Literature based on the experience of the 1994-99 programming period presents a mixed view on the extent to which Structural Fund programme strategies are integrated with, and therefore serving to reinforce, domestic regional policy priorities.

A number of evaluations from this period⁴ highlighted concerns that inadequate linkages between Structural Fund programmes and national and regional strategies had led to missed opportunities for adding value to domestic programmes and for achieving coherence through supporting an appropriate combination of interventions. Inadequate linkages have sometimes been attributed to fundamental conflicts between European Commission and domestic perspectives on solutions to development challenges faced by particular regions of the UK. Some programme evaluations from the 1990s have cited examples of the European Commission using its influence in the design of programmes to promote inappropriate approaches to local and regional economic development without accounting for the peculiarities of the UK national and local context, resulting in inefficient and ill-suited interventions⁵. Examples of this were seen in the Ex-Post Evaluation of the East Midlands and Industrial South Wales Objective 2 Programmes 1994-99, where regional stakeholders perceived a European Commission promoted focus on revenue measures to stimulate enterprise to be to the detriment of regional needs for key infrastructure.⁶

However, other evidence from the experience from the 1994-99 programmes points to the added value role of the Structural Funds in reinforcing regional and national priorities. Examples are highlighted below:

⁴ Shutt, J., Colwell, A. & Koutsoukos, S. (2002) "Structural Funds and Their Impact: Signed and Sealed, But Can We Deliver?", *European Planning Studies*, Vol.10 No.1, p.122

⁵ Michie, R. & Bachtler, J. (1996) *Managing the Structural Funds: Institutionalising Good Practice*, IQ-Net Thematic Paper 1(1), Strathclyde: European Policies Research Centre, p. 43

⁶ ECOTEC (1998) *Ex-Post Evaluation of the 1994-96 and Interim Evaluation of the 1997-99 Objective 2 Programmes in the East Midlands*, p.40; ECOTEC (1998) *Interim Evaluation of the 1997-1999 Industrial South Wales Objective 2 Programme*; ECOTEC (1998) *Ex-Post Evaluation of the Industrial South Wales Objective 2 Programme 1994-1996*, p.80

- ESF funding in particular has been noted for its reinforcement of domestic active labour market policies. ESF was reported to have added value to the Welfare to Work policy agenda by extending New Deal initiatives, both in terms of target groups and the length and types of interventions. According to the mid-term evaluation, ESF has allowed more resources to be put into recruiting people from more disadvantaged groups and/or providing extra support. It is claimed that combining these two funding streams allowed projects to be more effective, due to greater flexibility in delivery and the timing of interventions, whilst increasing the quality and quantity of their outputs beyond what could have been provided with just national resources.⁷
- Under the 1994-1999 programming period, final evaluations concluded that an observed over-representation of young people among Objective 3 beneficiaries was due to this target group being a policy priority at national level.⁸
- The Ex-Post Evaluation of Merseyside's Objective 1 1994-1999 programme highlighted the programme's links to a range of other nationally driven policy agendas, including the Labour government's education policy, the Single Regeneration Budget and Health Action Zones.

The role of the Structural Funds in reinforcing national and regional policies (in designated areas) is supported overwhelmingly by conclusions reached in the mid-term evaluations of current programmes. This suggests that concerns expressed about policy conflicts in the earlier generation of programmes no longer have currency. Respondents to the Internet Survey have also commented favourably on the role of Structural Fund programmes in reinforcing domestic policy priorities. Very few examples of conflicts were reported.

The strength of the reinforcement effect is attributed in the mid-term evaluations to improved co-ordination of policies at the EU, national, regional and local level. Literature drawing on the evidence of Structural Fund programmes during the 1990s suggests that co-ordination of domestic policies with Structural Fund programmes was quite poor – although better in Scotland than elsewhere in the UK (as a result, it is argued, of its distinct governance structure at the time). In contrast, mid-term evaluations of current programmes have reflected on improvements in co-ordination, as Structural Fund programmes have been developed specifically to implement domestic regional strategies. A number of mid-term evaluations also report that the renewed focus on regional planning in the UK and the development of new regional structures and institutions have secured the integration of the Structural Funds with wider regional programmes.

Planning processes for the 2000-2006 Structural Fund programme period were generally conducted in tandem with the development of Regional Economic

⁷ ECOTEC (2000) *Using ESF with the New Deal: the opportunity, reality and added value* (Research Brief), London: DfEE, p.1-2; ECOTEC (2002) *Ex-post evaluation of the UK Objective 1 Programmes 1994-1999*, Brussels: European Commission, p.118

⁸ European Commission (2001) *Conclusions of the ESF Final Evaluations*, Brussels: European Commission, DG Employment & Social Affairs, p.12

Strategies (RES) in England. One evaluator commenting on the relationship between an RES and a 2000-06 Objective 2 programme noted that “*they are based on common priorities and a common analysis of needs.*”⁹ Evaluators of the current Objective 1 Programme for West Wales and the Valleys concluded that consistency between the policies promoted in the SPD and the National Economic Development Strategy reflected consensus on the problems faced by Wales rather than the conscious integration of Objective 1 analysis into thinking on wider strategies.¹⁰ These findings echo conclusions reached in other mid-term evaluations.¹¹

The effect of new regional institutions in developing a shared consensus on regional priorities and improving the capacity to align programmes more effectively is summed up in this commentary on the situation in the North East of England: “strategy development in the region was viewed by respondents having been stymied until the advent of the Regional Development Agency. Prior to the establishment of the RDA, the structures and institutions in the region were not able to effectively articulate a regional economic development strategy. In part, this was because the UK policy emphasis was not on economic planning or regional development. As the UK’s policy agenda has moved into alignment with EU policy, greater opportunities for regional economic development planning had emerged.”¹²

Even with the advent of wider regional planning processes and structures, some mid-term evaluations suggest that Structural Fund policies and processes are making a contribution to improvements in regional strategy. Examples cited include:

- Structural Funds are attributed with promoting strategic approaches to regional development. Even with the development of regional economic strategies regional Structural Fund programmes retain their function as the primary mechanism for facilitating (relatively) inclusive cross-sector debates on the types of intervention that should be supported and where.
- An ‘animation’ effect associated with the scale of available Structural Fund resources and the publicity surrounding the process of ‘designation’ in one newly designated Objective 1 region has been accredited with mobilising regional and local partners to develop strategic initiatives that might not otherwise have been considered.¹³

⁹ GHK and Fraser Associates (2003) *Mid-Term Evaluation of the West Midlands Objective 2 Programme 2000-2006* (Draft)

¹⁰ CRG Research Ltd, Cardiff University and Fitzpatrick Associates (2003) *Draft Mid-Term Evaluation of the Objective 1 Programme for West Wales and the Valleys* (Draft)

¹¹ ECOTEC (2003) *Mid-Term Evaluation of London Objective 2 Programme 2000-2006* (Draft); GHK & Fraser Associates (2003) *Mid-term Evaluation of the West Midlands Objective 2 Programme 2000-2006* (Draft); ECOTEC (2003) *Mid-Term Evaluation of South East of England Objective 2 Programme 2000-2006* (Draft); Fraser Associates (2003) *Mid-Term Evaluation of the North West England Objective 2 Programme 2000-2006* (Draft)

¹² EKOS (2003) *Mid-Term Evaluation of North East of England Objective 2 Programme 2000-2006* (Draft);

¹³ ECOTEC (2003) *Mid-Term Evaluation of the Cornwall and Isles of Scilly Objective 1 Programme 2000-2006* (Draft)

Although the mid-term evaluations are largely positive about the reinforcing effect of the Structural Funds, it is necessary to qualify the overall conclusions that might be drawn from this. Even though the overall policy direction of Structural Fund programmes and domestic programmes being mutually supporting, a small number of mid-term evaluations highlight frustrations associated with attempts to pursue some prioritised actions through Structural Fund programmes. One evaluator has claimed that “the devil is in the detail.”¹⁴

- In the West Midlands¹⁵, evaluators have suggested that the requirement to set out an explicit sector strategy in SPDs, combined with limited opportunities to adjust spending priorities, has meant that the Objective 2 Programme has been unable to respond to policy developments. They found that the emerging policy to support the development of high technology clusters did not fit easily with the sector strategy embodied in the Objective 2 plan. There is some concern that even though partners adjust the SPD, it will be difficult to reconcile the clusters approach with the more orthodox approach to defining target sectors that characterises European programmes. Other mid-term evaluations and respondents to the Internet Survey have noted problems associated with the ability of Structural Fund programmes to respond rapidly to changing socio-economic circumstances, particularly economic shocks such as the downturn in the tourism sector from 2001 and the Foot and Mouth Disease.¹⁶
- Some mid-term evaluations have noted that fragmented programme areas in some regions¹⁷ (the result of policies to promote concentration of EU resources on areas of greatest need) work against efforts to secure strategic impact. Evaluators have noted a number of disadvantages of disparate programmes, including a tendency of sub-regional policy agendas to dominate strategic thinking and barriers to effective engagement in programmes by regional agencies. The evaluators for the North West Objective 2 programme describe the programme area in this region as “an artificial conglomeration of areas which are not particularly useful for planning regional, or even sub-regional, economic development.”
- The mid-term evaluation for the Objective 1 Programme Merseyside suggests that in covering only parts of a region, Structural Funds have encouraged an inward-

¹⁴ Regeneris with MTL (2003) *Mid-Term Evaluation of the Merseyside Objective 1 Programme 2000-2006 (Draft)*

¹⁵ GHK and Fraser Associates (2003) *Mid-Term Evaluation of the West Midlands Objective 2 Programme 2000-2006 (Draft)*

¹⁶ Roger Tym and Partners (2003) *Mid-Term Evaluation of South Scotland Objective 2 Programme 2000-2006 (Draft)*; EKOS (2003) *Mid-Term Evaluation of North East of England Objective 2 Programme 2000-2006 (Draft)*; ECOTEC (2003) *Mid-Term Evaluation of the South West Objective 2 Programme 2000-2006 (Draft)*

¹⁷ ECOTEC (2003) *Mid-Term Evaluation of London Objective 2 Programme 2000-2006*; ECOTEC (2003) *Mid-Term Evaluation of South East of England Objective 2 Programme 2000-2006*; ECOTEC (2003) *Mid-Term Evaluation of Cornwall and Isles of Scilly Objective 1 Programme 2000-2006 (Draft)*; Centre For Strategy & Evaluation (2003) *Mid-Term Evaluation of the East of England Objective 2 Programme 2000-2006 (Draft)*; Fraser Associates (2003) *Mid-Term Evaluation of the North West England Objective 2 Programme (Draft)*

looking approach which works against aspirations for achieving regional integration.

- The attention to Community Economic Development embodied in Objective 1 and 2 programmes is seen as a positive feature, but mid-term evaluations have reported a variety of problems with integrating CED actions with related domestic programmes. Many mid-term evaluations of programmes in England have noted only limited achievement in integrating CED measures and Neighbourhood Renewal Fund (NRF) initiatives. Problems are attributed to the differences in emphasis (NRF supports a mixture of capital and revenue investments whilst the CED Measures are generally orientated towards revenue), inadequate capacity at the local level to secure policy integration and barriers to effective delivery caused by the tightly-defined nature of CED area boundaries (with geographical coverage confined to specific wards to achieve concentration). In Wales there is evidence of similar difficulties with integrating Structural Fund programmes and the Communities First programme.
- A minority of mid-term evaluations highlights differences in policy emphasis between local and regional economic strategies and Structural Fund programmes. For example, in some Scottish Objective 2 programmes stakeholders perceive insufficient emphasis on social and community needs when compared with domestic initiatives. In the East Midlands, evaluators predict problems with reconciling the move towards sub-regional distinctiveness in Regional Economic Strategies with the SPD, which promotes a more uniform regional policy agenda.

It is also noteworthy that, whilst there is strong evidence that the Structural Funds are consistent with domestic policies, consistency does not equate with conformity in all respects. The mid-term evaluation for the Merseyside Objective 1 Programme 2000-2006 notes that the scope of the Structural Funds is narrower than domestic policy priorities. Other mid-term evaluations¹⁸ have touched on this issue but in general assessments of the policy relationships between Structural Fund programmes and wider strategies focus on the types of activities that can be funded by the Structural Funds. Programme evaluations do not consider whether resources could have been used more effectively to support regional needs if they were directed to ineligible policy domains such as compulsory education, health, housing and so on. Furthermore, the validity of the general presumption against some types of intervention in the UK (for example major facilitating infrastructure to underpin developments in the transport and energy network) is not typically scrutinised. More than one mid-term evaluation has noted that the focus on SMEs and the inability to offer direct support to large manufacturing firms is unhelpful.

¹⁸ CRG Research Ltd. (2003) *Mid-Term Evaluation of the West Wales and the Valleys Objective 1 Programme 2000-2006 (Draft)*; Centre For Strategy & Evaluation (2003) *Mid-Term Evaluation of the East Midlands Objective 2 Programme 2000-2006 (Draft)*

3.3 Influence of the Structural Funds on Policy Development

The European Commission considers that the ability of the Structural Funds to influence policy development in Member States to reflect EU policy goals and to act as stimulus for increased integration of policy across the EU is one of the principal areas where community added value can be identified. The ESF is used to support the European Employment Strategy and Member State National Employment Action Plans, whilst other elements of the programmes support European policies such as environmental policy, the common agricultural and fisheries policies and competition policy.¹⁹

Respondents to the Internet Survey were asked whether they considered the Structural Fund programmes to be more or less successful than domestic programmes in supporting the key policy objectives of the European Union:

- Supporting balanced and sustainable economic growth;
- Promoting equal opportunities between men and women;
- Supporting disadvantaged groups;
- Supporting disadvantaged neighbourhoods;
- Promoting environmental sustainability;
- Promoting innovation.

Around half of respondents felt that Structural Fund programmes were no different to domestic programmes in terms of their success in supporting these policy objectives. This indicates that many believe that national policies are closely aligned with those of the EU. Of the remainder by far the majority thought that the Structural Funds offered ‘advantages’ over domestic programmes in pursuing each of these policy objectives. The pattern of responses was similar across all policies with between 30 to 40% of the sample reporting ‘advantages’ and up to 10% reporting ‘significant advantages’ over domestic programmes. A slightly higher proportion of respondents reported ‘significant advantages’ in the case of support for disadvantaged groups and promotion of innovation than for other policies.

Below we examine evidence of the influence of the Structural Funds in different policy fields, drawing on the literature review, mid-term evaluation evidence and qualitative responses to the Internet Survey.

¹⁹ Roberts, P. (2003) *Partnerships, programmes and the promotion of regional development: an evaluation of the operation of the Structural Funds regional programmes*, Planning in Progress, p. 13-18; DTI, ODPM & Treasury (2003) *A modern regional policy for the UK*, p.18

3.4 Influence on the Adoption of the ‘Horizontal Priorities’

There is evidence in the literature on experience of the 1990s that the Structural Funds play a role in promoting the key Community objectives of sustainable development, equal opportunities and information society through their integration as horizontal objectives in Structural Fund programmes. Nevertheless, success with implementing these horizontal priorities has been varied. For example, equal opportunities was realised more effectively through the ESF than other Funds.²⁰

Assessments of the extent to which horizontal themes in the Structural Funds are currently contributing to policy developments in the UK provide a mixed picture. A small number of mid-term evaluations found that the Structural Funds have a substantial role in influencing policy developments in these fields:

- In the case of the information society, one mid-term evaluation suggests that Objective 2 has promoted a strategic policy approach to promoting take-up of Information and Communications Technology (ICT)²¹ although it did not highlight any effect on policies in relation to ICT.
- The mid-term evaluation for the 2000-06 Objective 1 programme in Cornwall and the Scilly Isles²² found that the programme has led to increased attention to the role of heritage and the environment as drivers of economic growth.
- In the case of the North East of England Objective 2 Programme for 2000-06²³, the evaluators note that the programme’s horizontal themes are achieving an added value policy effect. Evaluators note that this is one of the most significant contributions of the Structural Funds, helping to put objectives in relation to environmental sustainability, equal opportunities and ICT development “on the agenda.”

Other mid-term evaluations, including those for the URBAN II and EQUAL programmes, do not point to a contemporary role for the Structural Funds in stimulating policy development. The EQUAL mid-term evaluation suggests that the lessons from the programme and mainstreaming efforts appear more likely to influence practice than policy.²⁴ URBAN II programmes are seeking to integrate their activities with wider Neighbourhood Renewal initiatives but evaluators have not suggested that

²⁰ European Commission (2002) *Implementation of gender mainstreaming in the Structural Funds programming documents 2000-2006*, European Commission Communication, p. 4

²¹ GHK and Gilfillan Partnership (2003) *Mid-Term Evaluation of the UK/GB EQUAL Community Initiative 2000 – 2006 (Draft)*

²² ECOTEC (2003) *Mid-Term Evaluation of the Cornwall and Isles of Scilly Objective 1 Programme 2000-2006 (Draft)*

²³ EKOS (2003) *Mid-Term Evaluation of North East of England Objective 2 Programme 2000-2006 (Draft)*

²⁴ GHK and Gilfillan Partnership (2003) *Mid-Term Evaluation of the UK/GB EQUAL Community Initiative 2000 – 2006 (Draft)*

URBAN II strategies are shaping local regeneration strategies.²⁵ It has also been noted that the scope of EU equal opportunities policy (gender and disability) lags behind developments in the UK in relation to racial equality²⁶ and language²⁷.

However, views expressed by respondents to the Internet Survey on the impact of the Structural Funds' horizontal themes on national policy are largely positive. One respondent suggested that the themes of ICT, Equal Opportunities and Environmental Sustainability have been a driving force behind policy changes in the UK. This was acknowledged by another respondent who said that it was "difficult to overstate the importance of Structural Funds in the development of sustainable environmental projects."

National policy at all levels has become increasingly focused on environmental sustainability, equal opportunities and the information society. However, it is questionable whether policy developments at the national or regional level can be in any way attributed to the influence of the Structural Funds. There will have been a variety of influences and a two-way learning process between the EU and the UK on these issues. For example, whilst the Structural Funds are recognised as having had a role in increasing the policy focus on information society, particularly in parts of the UK where a strategic approach to this field has been lacking, national policy-makers have also been independently influenced by the rapidly changing technological agenda and the need to maintain competitiveness globally.²⁸

3.5 Influence on Bottom-Up Approaches to Economic Development

The approach of Structural Fund programmes of geographically targeting Community Economic Development (CED) activities in the most deprived communities is perceived to have influenced national policies for community-based regeneration.²⁹ In particular, the Pathways to Employment initiative in Merseyside's 1994-1999 Objective 1 programme is identified as a national model of good practice and is thought to have played an important role in the development of subsequent initiatives promoted by Government units addressing social exclusion and neighbourhood renewal.³⁰

²⁵ DTZ Piedad Consulting (2003) *Mid-Term Evaluation of the URBAN II Initiative 2000 – 2006 (Draft)*

²⁶ ECOTEC (2003) *Mid-Term Evaluation of London Objective 2 Programme 2000-2006 (Draft)*

²⁷ CRG Research Ltd. (2003) *Mid-term Evaluation of the West Wales and the Valleys Objective 1 Programme 2000-2006 (Draft)*

²⁸ Taylor, S. & Downes, R. (2001) *The Structural Funds Facilitating Information Society*, IQ-Net Paper, Strathclyde: European Policies Research Centre, p.9

²⁹ Farrell, G. (2000) "LEADER added value: acting locally and globally", *LEADER Magazine*, No.23 (Summer); Farrell, G. (2000) LEADER added value: acting locally and globally, ", *LEADER Magazine*, No.23 (Summer), p.7-8; ECOTEC (1998) *Ex-Post Evaluation of the 1994-96 and Interim Evaluation of the 1997-99 Objective 2 Programmes in the East Midlands*, p.36

³⁰ ECOTEC (2001) *Ex-post evaluation of the UK Objective 1 Programmes 1994-1999*, p.74 & 119

In Northern Ireland³¹, the Structural Funds increased attention on the role of community development in supporting macro-level political developments, which is now an increased focus of domestic programmes. In the North-East, evaluators of the current Objective 2 programme note that EU policy has exerted significant influence in rural development and local economic development (although they suggest that influences were established in the previous funding period).

The LEADER initiative is accredited with having served as a ‘test laboratory’ for new rural development policies and types of local management.³² As such, the Structural Fund programmes have played an important role in the evolution of policies addressing regional and spatial development.³³ As the mid-term evaluation of the LEADER + programme is still underway, we have not been able to examine whether this effect is still being observed.

The mid-term evaluations agree that the Structural Funds are making an important contribution to community development. However, none highlight a current influence on the overall thrust of domestic policy as perhaps was the case in the past. Some qualitative responses to the Internet Survey, however, stress the importance of the capacity building elements of CED measures. This suggests that lessons are still being learnt about bottom-up approaches to community development and are being applied through domestic programmes. As one respondent put it, capacity building initiatives had led to recognition of: “the benefit of consultation time and resources for voluntary sector infrastructure development and more creative input to project planning from local residents and community groups.”

3.6 Influence on Enterprise and Innovation Policy

The European Commission’s influence on enterprise and innovation policy through the Structural Funds was seen during the 1994-99 programme period when improved targeting of business support at specific sectors was a means to supporting regional competitiveness.³⁴

The importance of Structural Funds in addressing economic and productivity issues was recognised by a number of respondents to the Internet Survey. In particular, respondents have claimed that European funding can lead to a wider range of training, particularly in higher skills, as well as extended support for SMEs. In some areas, the Structural Funds have also been used to extend start-up programmes. A handful of respondents have also highlighted the importance of the Structural Funds in providing added scope to promote and support applied R&D and the development university-

³¹ PWC (2003) *Mid-Term Evaluation of Northern Ireland Peace II Programme (Draft)*

³² Farrell, G. (2000) LEADER added value: acting locally and globally, LEADER Magazine, No.23 (Summer), Farrell, G., LEADER added value: acting locally and globally

³³ Roberts, P. (2003) *Partnerships, programmes and the promotion of regional development: an evaluation of the operation of the Structural Funds regional programmes*, p.13

³⁴ ECOTEC (1998) *Ex-post evaluation of the UK Objective 1 Programmes 1994-1999*, p. 73

business relationships. However, these positive statements on the role of the Structural Funds in supporting enterprise and innovation do not necessarily point to an added value policy effect as it seems feasible that with additional funding for domestic programmes similar contributions could have been made.

3.7 Influence on Employment and Labour Market Inclusion Policy

A variety of sources present evidence that the European Commission's labour market inclusion policy agenda, as reflected in ESF regulations, have promoted the UK's move towards more tailored, holistic and demand-led interventions addressing disadvantaged groups than had otherwise been the case in the UK.³⁵

The Community Initiatives are considered to be especially valuable in terms of developing new policy responses to addressing barriers to employment among disadvantaged groups. For example, ADAPT and EMPLOYMENT were considered to be innovative in their targeting of new beneficiary groups, such as the homeless and those having suffered head injury trauma, that are not usually addressed by the mainstream programmes.³⁶ However, consideration of the mainstreaming of activities supported by the ADAPT and EMPLOYMENT Community Initiatives has shown that their influence on national policy development has generally been limited, with some support for initiatives such as New Start and the national childcare strategy.³⁷ Nevertheless, the UK's Round 3 of the ADAPT initiative was recognised as having had a significant influence on the development of the University for Industry.³⁸ This limited fruition of mainstreaming efforts at a national level has in part been attributed to the shortage of support for this process, particularly the lack of information and appropriate contacts in the policy-making arena.³⁹ In terms of the local implementation of domestic policies, evaluations of the ADAPT and EMPLOYMENT programmes have also highlighted that a large proportion of supported projects claim that the programmes have had an impact on the working practices of local partners and organisations in the same field.⁴⁰

According to the EQUAL mid-term evaluation, impressive progress has been made in laying the foundations for an effective approach to mainstreaming.⁴¹ Key to the process are the eight Thematic Network Groups (TNGs) comprising Development Partnerships and policy representatives on a thematic basis.

³⁵ Allen, J., Hansbro, J. & Mooney, P. (1999) *Pathways to Employment: The Final Evaluation of ESF Objective 3 in Britain (1994-1999)*, London: Department for Education and Employment, p. 101
ECOTEC (2003) *Ex-post evaluation of the UK Objective 1 Programmes 1994-1999*, p. 74

³⁶ ECOTEC (1999) *Assessment of the Key Lessons from Implementing Community Initiatives in Scotland, 1994-1999*, Edinburgh: Scottish Enterprise, p. 12

³⁷ GHK (2001) *From Local Lessons to National Practice: An Update to the Final Evaluation of the ADAPT and EMPLOYMENT Community Initiatives in Great Britain*, London: DfEE, p. i & 7

³⁸ *Ibid.*, p. v-vi

³⁹ *Ibid.*, p. 20

⁴⁰ *Ibid.*, p. i & 7

⁴¹ GHK and Gilfillan Partnership (2003) *Mid – Term Evaluation of the UK/GB EQUAL Community Initiative 2000 – 2006 (Draft)*

Despite the strong evidence of past influences, increased provision for the unemployed and the extension of New Deal programmes to a wider range of groups (combined with falling long-term unemployment) means that the potential added value effect of the Structural Funds in extending the reach of domestic employment policy may be diminished.⁴²

3.8 Conclusions

- There is some evidence that the Structural Funds have reinforced national and regional policy dimensions. There is no evidence that the national and European programmes are working against each other, although some opportunities for integrated working have been missed in the past.
- The Structural Funds have influenced the development of regional and local policy objectives. There is less evidence that this has occurred at a national level although effects on bottom-up approaches to development, labour market inclusion policy and innovation have been noted in the past.
- There is some evidence to suggest that the Community Initiatives and Innovative Actions have a stronger practice effect, particularly at a regional level, than the mainstream programmes. However, the extent to which mainstreaming of these effects occurs later varies.
- It is not clear from available evidence whether effects attributed to the policy influence of the Structural Funds, such as extending employment provision to new target groups, might have been achieved to a similar extent by domestic policy interventions in the absence of Structural Funds.

⁴² CRG Research Ltd et al. (2003) *Mid-term Evaluation of the West Wales and the Valleys Objective 1 Programme 2000-2006 (Draft)*

4.0 EFFECTS OF THE STRUCTURAL FUNDS ON PROJECTS AND ACTIVITIES

4.1 Introduction

This chapter examines evidence of the effect of the Structural Funds on practice - approaches to implementation and the nature of project activities and outputs.

Two dimensions are explored:

- The role of the Structural Funds in providing an arena for innovation and learning, developing new approaches to securing policy objectives, testing new forms of provision and demonstrating good practice;
- Output and outcome additionality arising from approaches to implementation pursued through the Structural Funds. We examine evidence of where the Structural Funds have influenced the nature of outputs in some way or influenced target groups. It should be noted that much available evidence focuses on additionality achieved through the availability of greater levels of funding for interventions. In the analysis that follows we have attempted to separate out these funding effects from those attributed to other aspects of the Structural Funds (such as partnership working).

4.2 Supporting Networks and Learning

The exchange of good practice, through joint projects, networking and the demonstration effect of the Structural Funds, has been seen as a valuable strength.⁴³ Information and good practice sharing at a local, regional and national levels and through trans-national programmes, it could be argued, has resulted in the identification of innovative ideas and working practices and the development of new tools and skills.

By stimulating trans-national partnership working, the Structural Funds provide an innovative and unique platform for policy-makers and practitioners across the EU to share their experience. The Community Initiatives have been forerunners in this respect, most notably through the trans-national, interregional and cross-border nature of INTERREG, but also through elements of other Community Initiatives such as ADAPT and LEADER, PEACE and the RISI initiative (supported by ERDF under Article 10 and ESF under Article 6). Trans-national working is considered to have added value by providing a mechanism for awareness raising, information sharing and

⁴³ CEMR (2000) *The Added Value of European Union Cohesion Policy*, p. 6

good practice.⁴⁴ This increased exposure to the approaches and experience of other EU Member States has been recognised as influencing the work of local and regional organisations in the UK.⁴⁵ Evaluations of Community Initiatives also suggest that policy-makers and practitioners value the opportunity to participate in European policy development. For example, the mid-term evaluation of the PEACE II initiative in Northern Ireland found that “district partnerships demonstrated possibilities for cross-party co-operation. Cross-border co-operation sub-programme provided opportunity to demonstrate approaches to cross-border co-operation in practice.”

Evaluations of the LEADER programme have highlighted the benefits of such co-operation. Shared and complementary knowledge, expertise and resources, for example through the LEADER European Observatory, allow for greater economies of scale and added value.⁴⁶ The EQUAL mid-term evaluation also highlighted the important role played by trans-national working in generating new ideas and good practice.⁴⁷

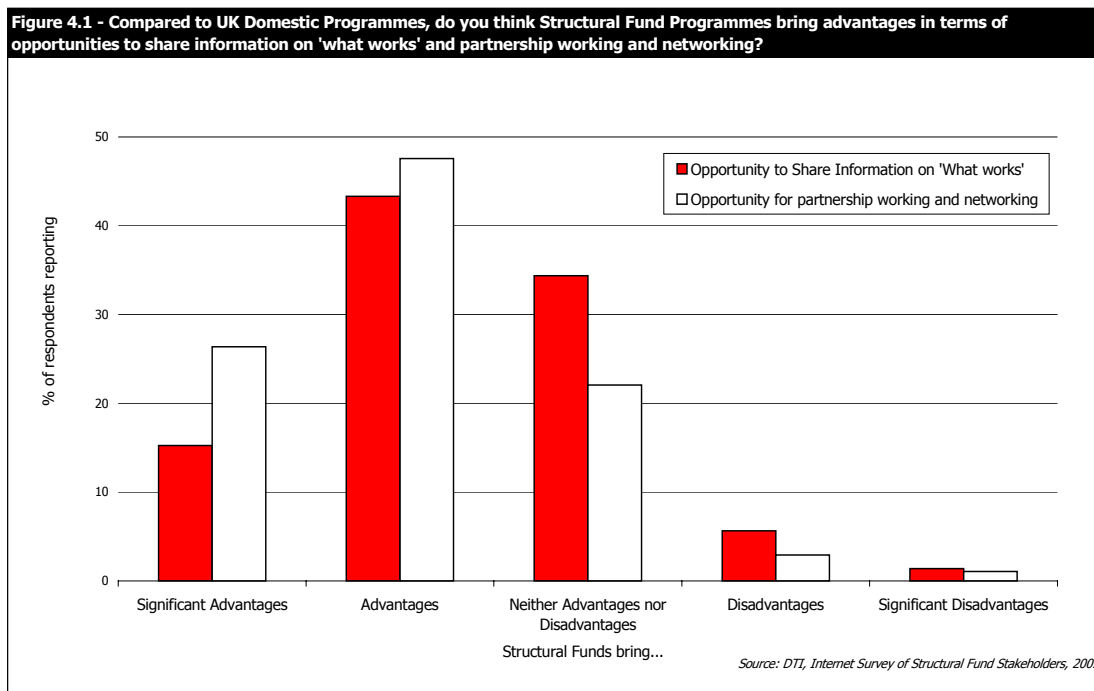
The Internet Survey posed two questions to obtain perspectives on the contribution of the Structural Funds to learning and networking: firstly, whether the Structural Funds provided more opportunities to share information on ‘what works’ than domestic programmes and secondly whether they offered more opportunities for partnership working and networking. The majority of respondents felt that the Structural Funds had advantages or significant advantages over national policy in terms of opportunities to pursue innovative approaches, opportunities to share information on good practice and opportunities for partnership working and networking (Figure 4.1).

⁴⁴ GHK (2001) *From Local Lessons to National Practice: An Update to the Final Evaluation of the ADAPT and EMPLOYMENT Community Initiatives in Great Britain*, p. 14-15; Taylor, S. & Downes, R. *The Structural Funds Facilitating Information Society*, p. 20-25

⁴⁵ Roberts, P. (2003) *Partnerships, programmes and the promotion of regional development: an evaluation of the operation of the Structural Funds regional programmes*, *Planning in Progress*, pp. 20-21; ECOTEC (1994) *Assessment of the Key Lessons from Implementing Community Initiatives in Scotland, 1994-1999*, p. 4

⁴⁶ Farrell, G. (2000) “LEADER added value: acting locally and globally”, *LEADER Magazine*, No.23 (Summer), p. 8

⁴⁷ GHK and Gilfillan Partnership (2003) *Mid – Term Evaluation of the UK/GB EQUAL Community Initiative 2000 – 2006 (Draft)*



4.2.1 Promoting Innovative Approaches to Delivery

The literature on previous programming periods has claimed that the Structural Funds are an important mechanism for stimulating innovation both through their explicit function of supporting pilot activities, and because projects are subject to innovative policy influences such as selection criteria designed to promote horizontal objectives in relation to equal opportunities, sustainable development and the development of the information society.⁴⁸

Community Initiative programmes such as EQUAL, URBAN, LEADER and ADAPT have been designed to 'test' new and innovative concepts, models and policies for regional development, particularly with regards to 'bottom-up' approaches to policy design and implementation.⁴⁹ The Community Initiatives in particular are accredited with developing new approaches to delivery and stimulating the development of policy and practitioner networks both in the UK and in Europe. They have been recognised as generating new ideas on how to respond to challenges, with the UK's experience in this identified as one of the most effective.⁵⁰ The Community Initiatives have been seen as providing the flexibility required for innovation, being less constrained than mainstream Structural Fund programmes by the requirement to

⁴⁸ IQ-Net European Policies Research Centre (2003) *The Added Value of the Structural Funds a regional perspective*, p. 26

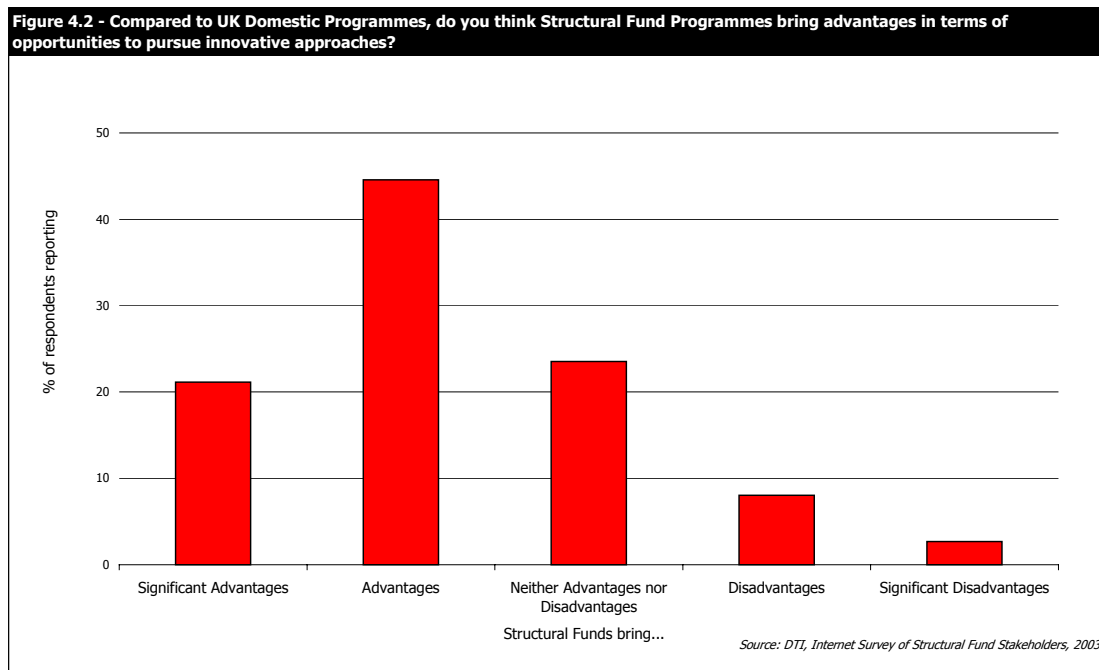
⁴⁹ House of Lords (1997) *Reducing Disparities within the European Union: The Effectiveness of the Structural and Cohesion Funds*, para.72; Roberts, P. (2003) *Partnerships, programmes and the promotion of regional development: an evaluation of the operation of the Structural Funds regional programmes*, p. 2

⁵⁰ House of Lords (1997) *Reducing Disparities within the European Union: The Effectiveness of the Structural and Cohesion Funds*, para. 72

achieve specific outputs, more accepting of ‘soft’ and longer-term outcomes and having quicker decision and payment processes.⁵¹ The EQUAL mid-term evaluation concluded that the programme itself clearly has potential for fostering innovation: “EQUAL has successfully provided a framework to draw new actors together, to work in new contexts and to test new ideas.”⁵² It has been noted in the mid-term evaluations that some administrative aspects of the mainstream Structural Funds and the focus on a limited set of target outputs can serve to stifle innovation at the project level, and this is examined further in Chapter 6.

The URBAN mid-term evaluation found that the pressure to spend can mitigate against innovation and steer programmes towards ‘tried and tested’ solutions. Moreover, where SRB programme formulation precedes URBAN, URBAN has been “dragged towards supporting projects that SRB is already funding which makes innovation and new projects via URBAN less likely.” The mid-term evaluation also found that cash flow is a deterrent to the community/voluntary sector taking the lead in project development and management and restricts innovation as well as capacity building.⁵³

Views expressed through the Internet Survey in respect of the Structural Funds’ contribution to innovation are extremely positive as shown in Figure 4.2.



Qualitative responses to the Survey focused primarily on the role of the ESF in supporting innovative methods for the delivery of training and employment initiatives.

⁵¹ ECOTEC (1999) *Assessment of the Key Lessons from Implementing Community Initiatives in Scotland 1994-1999*, p. 10-18

⁵² GHK and Gilfillan Partnership (2003) *Mid – Term Evaluation of the UK/GB EQUAL Community Initiative 2000 – 2006 (Draft)*

⁵³ DTZ Piedad Consulting (2003) *Mid – Term Evaluation of the URBAN II Initiative 2000 – 2006 (Draft)*

Respondents have cited the ability to put together packages of support for beneficiaries and to offer provision tailored to individual needs as being particularly valuable. For example, one respondent suggested that the Structural Funds in the form of “human resource initiatives such as EQUAL still lead the way in terms of the ability to innovate and provide real and effective change for local communities.” Another respondent commented that “thematic approaches, contained as they are in Structural Fund management arrangements in Priorities and Measures, offer significant scope for activities that respond to or lead development of innovative approaches to meeting needs specific to particular groups.” Other respondents felt that the innovative actions “allowed us to try out new ideas that would not have been possible without external funding” and “allow and encourage innovation and accept the element of risk attached to new ideas.”

Many mid-term evaluations of 2000-06 programmes⁵⁴ have reported some evidence of innovative approaches at the project level, but evaluators have been cautious in their attempts to draw overall conclusions. For example, there is some, albeit limited, evidence that the inclusion of assessment criteria relating to the horizontal themes of equal opportunities and the environment in project appraisal processes is leading to genuine innovations in project design within current programmes. Innovation itself is a horizontal theme in many programmes with associated criteria employed as part of project assessment processes. In theory, all projects should demonstrate some form of innovation. However, various evaluations have noted that definitions of innovation are very broad in scope (taking in everything from direct contribution to R&D and regional innovation strategies to transferring established best practice across a range of actions to new localities or target groups). This makes it difficult to isolate evidence of genuine innovation. One Objective 1 programme evaluation also notes a difference in project promoters’ claims in respect of innovation and independent assessments - noting that innovation and best practice are used interchangeably.

Nevertheless, a small number of evaluations are more overtly positive about the role of Structural Fund programmes in providing a platform for piloting genuinely new approaches. The mid-term evaluation for the North West of England Objective 2 programme notes that “the pathfinder role of Structural Funds was identified in a number of areas, including community economic development and sustainable development.” Some have also suggested that by allocating funds through open competition and operating small grants programmes, resources are made accessible to voluntary and community sector service providers and this is thought to play a part in the development of new forms of service delivery.

Our overall conclusion based on available evaluation evidence is that the mainstream 2000-6 programmes are continuing to foster innovation but are probably not adding as much value as they did in the past. The mid-term evaluations do not offer examples of significant new approaches, but the overwhelmingly positive findings of the

⁵⁴ EKOS (2003) *Mid-Term Evaluation of East of Scotland Objective 2 Programme 2000-2006 (Draft)*; Roger Tym and Partners (2003) *Mid-Term Evaluation of South Scotland Objective 2 Programme 2000-2006 (Draft)*; ECOTEC (2003) *Mid-Term Evaluation of London Objective 2 Programme 2000-2006*; ECOTEC (2003) *Mid-Term Evaluation of South East of England Objective 2 Programme 2000-2006*

Internet Survey suggests that their function in supporting development of new ways of thinking about and responding to needs is more prominent than in the case of domestic programmes.

4.2.2 Effect on Project Activities and Outputs

Isolating any effect of the Structural Funds on project activities and outputs, whether in terms of quality, nature or otherwise, is problematic due to the difficulties of attributing any observed effects to single funding streams. It is also difficult to separate the effect of (more) resources on projects from influences arising from the Structural Fund policies or specific characteristics of Structural Fund processes. In the assessment that follows we explore evidence of added value and costs associated with the Structural Funds in terms of the quality of projects and the type of activities that are supported.

4.2.3 Quality of Projects

The findings of the Internet Survey suggest that Structural Fund stakeholders have mixed feelings in relation to the quality of projects supported. A high proportion of respondents thought that the Structural Funds had a neutral effect on quality with 40% reporting that there was no difference between the quality of projects supported under the Structural Funds and under domestic programmes. The remainder was split fairly evenly between those that thought Structural Funds offered advantages in terms of project quality and those that thought there were disadvantages.

Evaluation evidence is generally inconclusive regarding the overall effect of the Structural Funds on project quality. Whilst assessments of quality are often made, attempts to compare projects with those funded solely through domestic programmes are rare. In most cases, evaluations do not examine the relative influence of additional funding and other factors on the nature of projects. In the case of the ESF in particular, evaluations frequently note that the Structural Funds facilitate the development of more intensive and individually tailored support by enabling childcare, information and guidance, ESOL support, mentoring and other services to be wrapped around more standardised training or employment services. Whilst these effects may be attributed to a straightforward effect of additional funds, there is a perception among some respondents to the Internet Survey that the ESF, particularly under EQUAL, offers additional benefits by allowing higher unit costs and more discretion in terms of outputs. One respondent's comments on the effect of the ESF on project quality noted that it "allows beneficiaries to achieve soft outcomes (for example increased confidence to job search) which much domestic funding does not allow for."

A number of mid-term evaluations of the 2000-06 programmes have pointed to positive effects on the strategic relevance of project activities with, for example, efforts to link job-creation projects more effectively with training and intermediary

labour market initiatives. This has been encouraged by the requirement to achieve integration between ERDF and ESF. It is claimed that this requirement has had a positive impact on the quality of some projects because training provision is designed to help unemployed individuals to secure newly created jobs. However, many regeneration programmes (such as the Single Regeneration Budget in England) promote similar initiatives, and further research would be needed to establish if there were differences in effectiveness.

4.2.4 Type of Activities Supported

As discussed in Chapter 3, the interventions supported by the Structural Funds are generally consistent with those supported by domestic policies and programmes. In practical terms this is necessary due to reliance on the UK public sector as a source of match-funding and co-financing, although there is scope for the availability of Structural Fund resources to distort UK public sector spending priorities. Based on available evidence it is possible to identify a number of ways in which the Structural Funds influence the type of activities that are pursued. These are examined below.

As described in Chapter 3, the Structural Funds support a limited range of interventions. The menu of possible activities is influenced, among other things, by EU policy priorities and State Aid legislation. The exclusion of certain types of activities may give rise to a cost in terms of the ability of programmes to meet specific regional or local needs. An example of this is the exclusion of retail as a sector eligible for business development support (on the basis that displacement effects would be high). A number of mid-term evaluations of 2000-06 programmes have identified the need for intervention in the retail sector which points to a potential cost of the Structural Funds' established orthodoxy on the types of activities that should be supported. Similarly, Structural Funds cannot be used to address skills shortages in the public sector (such as in the health service). Conversely, it is helpful to consider whether the Structural Funds are perceived to have benefits because they support activities that are not prioritised in domestic programmes. Evaluation evidence from earlier programming periods (for example the Ex-Post Evaluation of 1994-99 Objective 1 programmes⁵⁵) suggests that Structural Fund programmes were a significant source of funds for new types of activity, such as neighbourhood based initiatives, and, prior to the advent of the Welfare to Work agenda, for providing training and employment support to groups disadvantaged in the labour market. More recent evaluations, however, do not provide evidence that the Structural Funds are being used to support strategic gaps in domestic provision.

Evidence from mid-term evaluations of current programmes suggests that domestic priorities are shaping the nature of activities pursued using the Structural Funds. There is, however, also evidence that, in some cases, the Funds provide the flexibility needed to improve the implementation approach or to address local gaps in service

⁵⁵ ECOTEC (2001) *Ex-post evaluation of the Objective 1 Programmes 1994-1999*

provision. Examples provided in the mid-term evaluations and the Internet Survey include:

- Providing business start-up support in areas where domestic funding for this has declined;
- Supporting community-based provision in areas not covered by domestic community-based regeneration programmes;
- Adding additional time and personal support to training programmes to support completion and achievement of qualifications;
- Enabling organisations to involve a wider range of delivery partners in their project activities, which has promoted local transfers of best practice.

The flexibility to pursue activities that fall outside the scope of domestic programmes is highly valued by some organisations. However, increased co-ordination with domestic programmes and a move towards commissioning activities (as advanced in some cases through co-financing) is arguably bringing priorities more closely into line with the policy agendas of key public sector agencies and is reducing scope for discretion on the part of individual project sponsors.

It is worth noting that the Structural Funds support some activities that are not universal features of domestic programmes. Examples include:

- Cross-border and trans-national mechanisms for promoting learning and transfer of best practice;
- Consideration of equal opportunities, sustainable development and information society dimensions across all types of project activity;
- Partnership approaches to delivery.

5.0 FUNDING EFFECTS

The financial contribution made by the Structural Funds is highlighted by the European Commission as providing added value by providing funds that are additional to domestic resources and help to lever other funds. Leverage effects take two forms: a change of domestic funding patterns or an increase in private sector investment in an area. This research takes the view that the provision of additional funds is not on its own a sufficient indication of added value. However, we do consider ‘additionality’ in pure financial terms, partly because a number of writers have focused on this issue and partly because the absence of ‘additionality’ might suggest that financial added value was not present.

5.1 Additionality

Additionality would be achieved where the Structural Funds generate activities or outcomes over and above that which would have occurred in their absence. Two types of potential additionality can be identified. Project-level additionality, relating to individual projects that would not otherwise have occurred, and programme level additionality, relating to an expansion of overall activity in an area.

5.1.1 Project-level Additionality

There is a general sense in the literature that Structural Fund programmes have supported a range of projects that would not have been possible without European funding whilst also having extended the activities of other projects.⁵⁶ The mid-term evaluations present a mixed picture with between 33% and 81% of sampled projects being reported as additional. In some cases, consultants have reported that they feel claims are excessive; in other cases, evaluators support claims of very high levels of additionality. Based on an overview of the evidence from the mid term evaluations of current programmes it is fair to suggest that the Structural Funds have certainly enhanced the scale, quality and scope of projects undertaken. They have also helped to support organisations that would not have received funding from other sources, a point we refer to later. This suggests a strong role in bringing forward new projects. On the whole, the mid-term evaluations report that the Structural Fund monies make a genuine difference for scale and timing of projects, help fill local funding gaps, spread risk and create scope for developing innovative solutions to local development problems.

⁵⁶ House of Lords (1997) *Reducing Disparities within the European Union: The Effectiveness of the Structural and Cohesion Funds*, para. 87

5.1.2 Programme-level Additionality

The additionality of regional development programmes and initiatives in terms of finance and outputs is recognised as being particularly difficult to determine; it far harder than at the micro-level of individual projects.⁵⁷ This is due to the size of target areas, the relatively large number of initiatives that focus on the same area and/or field and continuous changes in national policy and expenditure distributions, making attribution extremely difficult.⁵⁸ Furthermore, the counterfactual is impossible to determine accurately; many believe that other funding streams would ultimately have funded investments had they not received European monies.⁵⁹

There have been claims that in the UK local authorities have used the Structural Funds, and the ERDF in particular, to replace withdrawn national expenditure rather than providing truly additional resources.⁶⁰ This was in particular the case during the 1980s and early 1990s, when the European Commission challenged, for example, the additionality of the UK RECHAR initiative following the government's inclusion of expected ERDF funding in the capital expenditure allocations for local authorities. Since then, the UK government shows ERDF expenditure separately from other public expenditure allocations, thereby addressing previous concerns around a lack of transparency. Nevertheless, some of the literature questions true financial additionality.⁶¹ The 'top-slicing' of mainstream public expenditure has become a particular concern where public expenditure (including European funding) is allocated to devolved institutions in the form of a block grant which must also provide a large proportion of the required match-funding.⁶²

The mid-term evaluations do not consider the additionality of Structural Funds resources in relation to global public finances but we must assume that additionality is present at the national and Objective 1 programme level.

There is little evidence in the mid-term evaluations that planned activity has been displaced by the Structural Funds programme although few evaluations consider this issue in any depth.

It is worth noting that in two Objective 1 programmes in England mid-term evaluations have reported that the presence of the Structural Funds has also helped to

⁵⁷ Pearce, G., Martin, S. (1996) "The Measurement of Additionality: Grasping the Slippery Eel", *Local Government Studies*, Vol.22 No. 1, p.85; House of Lords, Select Committee on the European Communities (1997) *Reducing Disparities within the European Union: The Effectiveness of the Structural and Cohesion Funds*, Vol.1 Report, 11th Report Session 1996-1997, London: The Stationary Office, para. 63.

⁵⁸ Pearce, G., Martin, S. (ibid.), p. 90

⁵⁹ Michie, R. & Bachtler, J. (1996) *Managing the Structural Funds: Institutionalising Good Practice*, p.43

⁶⁰ Pearce, G., Martin, S. (ibid.), p. 87

⁶¹ Pearce, G., Martin, S. (ibid.) p. 88; Bristow, G. & Blewitt, N. (2001) *The Structural Funds and additionality in Wales: devolution and multilevel governance*, p. 1087

⁶² Bristow, G. & Blewitt, N. (ibid.) pp. 1083-1099

raise the horizons of partners, enabling them ‘to think big’. A further benefit was that the Structural Funds had stimulated intervention on a sub-regional scale. Previously, similar projects would have been undertaken in each local district, leading to fragmentation, duplication and lack of co-ordination. Alternatively, they would not have occurred at all owing to the complexities of securing funding from so many different sources.

5.2 Influence on Funding Priorities

In the literature it has been suggested that the presence of European Structural Funds might influence the priorities of domestic bodies, seeking to maximise financial benefits available. The effect might be seen in two ways: firstly through influencing the spatial distribution of activities, secondly through influencing the nature of activities supported.

In eligible areas Structural Funds provide a large proportion of the expenditure available for economic development and regeneration as many local authorities focus the majority of their own funding on statutory services such as social services and housing. There is, though, limited evidence from the mid-term evaluations that any significant diversion of domestic resources is occurring as a result of the need to match-fund European monies, particularly where there is already significant regeneration spend. Indeed, evidence from the Yorkshire and Humber region points to the opposite: South Yorkshire has apparently not bid into some national programmes because Objective 1 projects were already established in particular areas.

At the margins, there may be some effect on the distribution of funds, in particular for spatial targeting. Where only a small part of an area is eligible for Structural Fund support, there can be significant realignment even though domestic and European policy objectives often overlap. In at least two programmes Objective 2 designation has increased the focus of local authority activity towards eligible wards.

Many local authorities have found that in order to not ‘miss out’ on the opportunity of European funding they have had to draw on other spending approvals for match-funding. Mainstream funding is thus ‘bent’ towards other programme priorities.⁶³ This difficulty has been heightened further in recent years by the programmes’ greater focus on revenue rather than capital which challenged core local authority services more directly.⁶⁴ One mid-term evaluation suggests that the Structural Funds can displace more everyday priorities by shifting resources towards more innovative and pilot projects at a local level. Another mid-term evaluation reports that the Structural Funds place heavy demands on public sector pots of match funding, redirecting

⁶³ Pearce, G., Martin, S. p. 87

⁶⁴ ECOTEC (1997) *Ex-Post Evaluation of the 1994-96 and Interim Evaluation of the 1997-99 Objective 2 Programmes in the East Midlands*, p. 47

resources to eligible areas. Some partners felt that this is taking resources away from other public sector priorities. Another mid-term evaluation expresses doubt as to whether public expenditure would have been used in the same way in the absence of Objective 2.

However, most mid-term evaluations suggest that available financial sources in the UK now closely relate to Structural Fund priorities. In this sense there is limited scope for the funds to distort domestic spending priorities. There is some evidence of local funding streams being bent to maximise the ability of actors to draw-down funds available in a particular geographical area, but this is not reported as being a significant or problematic effect. Indeed, one mid-term evaluation reports that domestic funding streams tend to have their own objectives and that the Structural Funds have been made to fit these in this particular programme area.

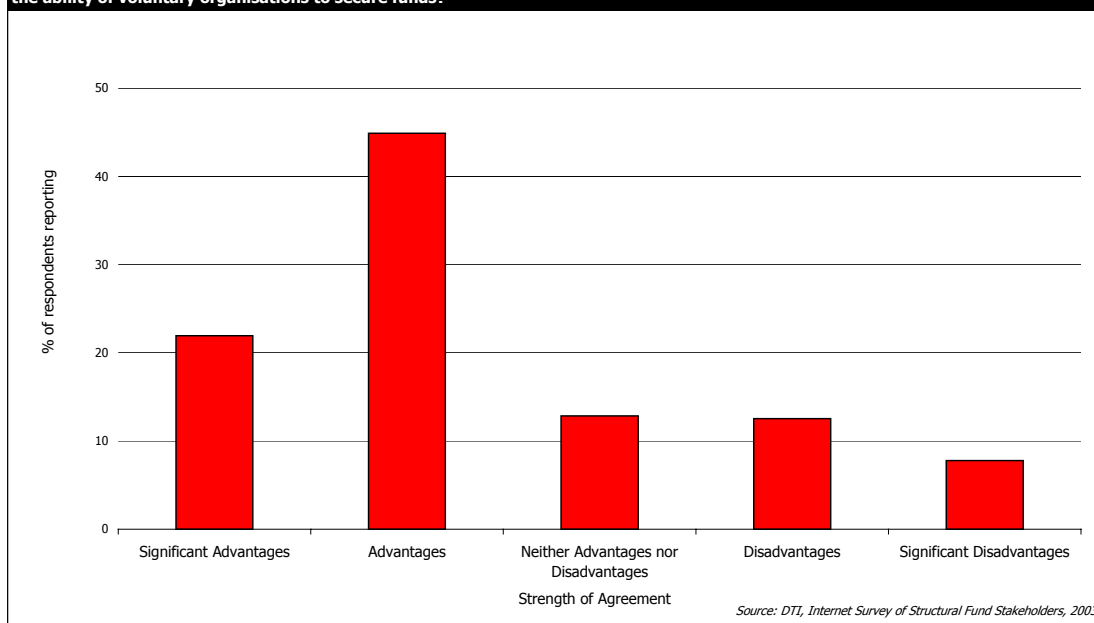
5.3 Funding the Voluntary and Community Sectors.

One finding to emerge from both the mid-term evaluations and the Internet Survey is the importance of the Structural Funds to voluntary and community bodies. Relatively large sums have been made available for voluntary groups who would otherwise not have been able to implement projects targeted at disadvantaged groups. One respondent noted that the European Community is the one source of expenditure that voluntary groups are successful in accessing even though it is complicated and over-bureaucratic.

The majority of respondents felt that Structural Fund programmes provided advantages over domestic programmes in terms of funding for community or voluntary sector organisations (Figure 5.1). There is a perception that Structural Funds are more accessible for voluntary organisations because, as one respondent put it, funds for UK programmes are 'pre-allocated', limiting the opportunity for "unlucky" bodies to access them. One respondent felt that domestic programmes are more likely to be "controlled" by local and regional authorities through their accountable body status.

The voluntary and community sectors were identified as vulnerable to any withdrawal of Structural Fund support by the mid-term evaluations, as were some business support activities, training providers and FE colleges.

Figure 5.1 - Compared to UK Domestic Programmes, do you think Structural Fund Programmes bring advantages or disadvantages to the ability of voluntary organisations to secure funds?



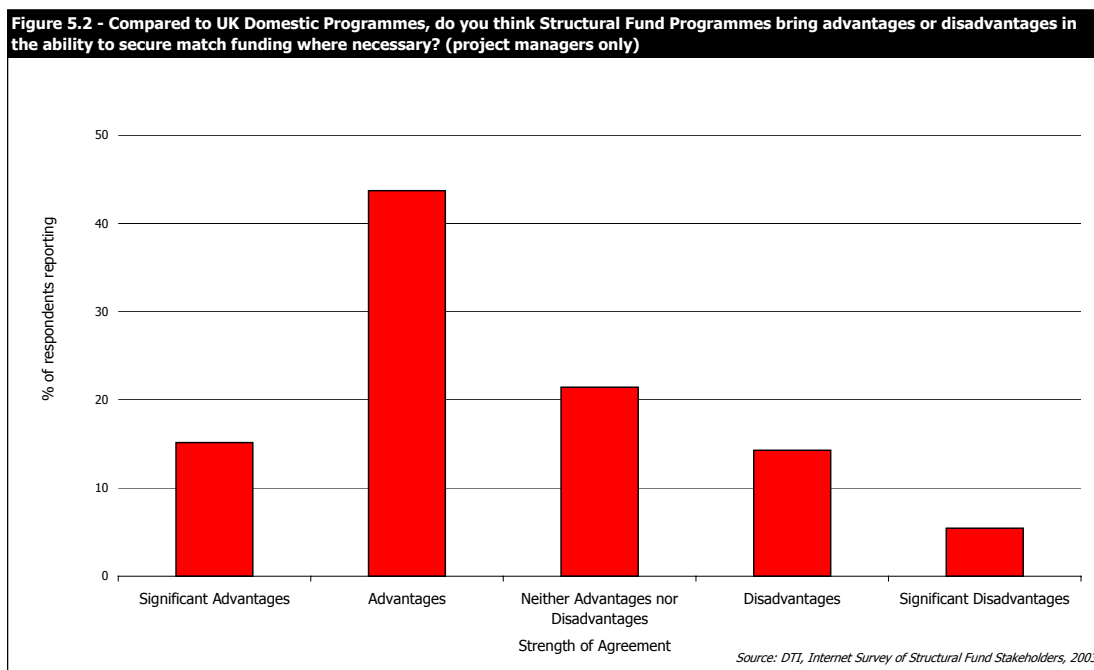
5.4 Leverage effects

The leverage of match-funding for European programmes in the UK is reportedly a common problem: there are difficulties in determining with certainty the availability and timing of match-funding, particularly where it must coincide with the availability of European monies.⁶⁵ This situation is largely a result of a context where funding is increasingly allocated through competitive bidding, local authorities are often restrained by other funding cycles and the contributions of the private sector are difficult to predict.⁶⁶

However, whilst difficulties are certainly experienced at an individual project level, this does not seem to have a significant influence on restricting the availability of matching funds overall. Project managers felt that the Structural Funds had advantages in terms of securing match funding (Figure 5.2). The Structural Funds are seen as particularly important in providing match funding for community economic development and regeneration programmes such as the Single Regeneration Budget.

⁶⁵ Joseph Rowntree Foundation (1996) "Regional strategy and partnership in European programmes", *Local and Central Government Relations Research* 53, York: Joseph Rowntree Foundation, p. 3; House of Lords (1997) *Reducing Disparities within the European Union: The Effectiveness of the Structural and Cohesion Funds*, para. 70

⁶⁶ Michie, R. & Bachtler, J. (1996) *Managing the Structural Funds: Institutionalising Good Practice*, pp. 8-9, 43-44



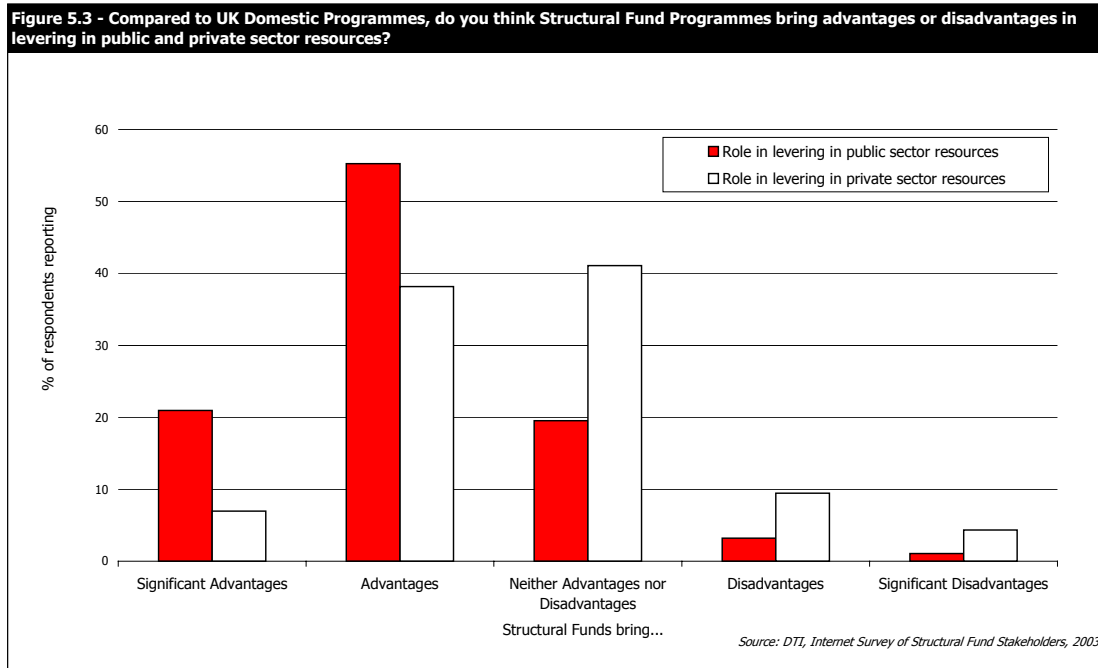
The results from the Internet Survey, set out in Figure 5.3, also show that respondents were generally positive about the ability of Structural Fund programmes to lever in public and private sector resources (especially for public sector resources) compared to domestic programmes. Supplementary responses highlighted the importance of leverage effects for large-scale infrastructure projects. The results from the mid-term evaluations largely support this view. One goes so far to suggest that the Objective 2 programme has helped to lever in additional funding that would have been difficult under purely UK schemes. Local politicians also hold this view. Two mid-term evaluations reflect that the Structural Funds are no more and no less successful than other UK domestic programmes at leveraging in private and voluntary sector resources as all have to be matched in some way. However, they are successful in leveraging funds from competitive regional grant schemes.

It seems that leverage is largely occurring at local and regional level. One mid-term evaluation suggested that around 37% of the matching funds came from national sources. There is little evidence to suggest that there has been a diversion of national funds into eligible regions as happened, for example, in Flevoland (Netherlands) when it became eligible for Objective 1 support (1994-99). One mid-term evaluation reported that Objective 1 has drawn in match funds from regional bodies; these bodies argue, however, that the decisions are not influenced by Objective 1 status but merely by the needs/priorities identified in that area, which Objective 1 is also supporting. The leverage effects on regional budgets was, however, reported as a negative effect by one Objective 2 mid-term evaluation. It was felt that high profile European projects were gaining support to the detriment of smaller projects.

Overall, the bulk of the resources used to ‘match’ Structural Fund commitments for economic development and regeneration activities seem to come from very few

sources: primarily local authority budgets, the RDA's 'single pot' and sources such as SRB.

Most mid-term evaluations reporting on this felt that there were at least some, and often significant, leverage effects among voluntary and private sector bodies. Only one mid-term evaluation reported that the Objective 2 programme has had no significant impact on leveraging funds from the private and voluntary sectors. It should also be noted that monitoring of private sector leverage is often weak.



Two mid-term evaluations argue that the Structural Fund programmes have acted as a catalyst for leveraging additional funding into the area as a whole. Both are new programmes. In one case the Objective 2 programme arguably had a catalytic effect, helping to unlock funding from other national bodies. In the other case Objective 1 status and the process of identifying regional development priorities is said to have influenced the spending priorities of organisations not directly involved in their implementation, such as the Highways Agency.

However, the scale of Objective 1 can be a disadvantage. One mid-term evaluation reported that it has displaced an existing bottom-up approach by drawing in larger organisations. The same mid-term evaluation also reports that the presence of Objective 1 has reduced the incentive to look to other sources of funding such as the National Lottery.

Programme delays and mismatching funding timetables are reported to have resulted in the loss of match-funding from sources such as the City Challenge and SRB programmes where, once committed, funds must be spent within specific annual periods, the National Lottery funds and local authority budgets that often have to

commit expenditure in the financial year in which it is approved.⁶⁷ Moreover the delays and uncertainties around European Funding have resulted in the withdrawal of private sector involvement, most notably of developers, despite efforts by some Programme Secretariats to speed up processes for those applications that involve private sector partners.⁶⁸ The evidence from the mid-term evaluations does not provide much evidence for this. However, timing and uncertainty over when funds will become available does appear to remain a frustration and a barrier, and the limited sources of match funding provided may demonstrate that others are looking elsewhere for project support.

These match-funding difficulties, that often occur alongside the constraints of poor economic conditions, are reported to have had an impact on the absorption of European monies. In some cases match-funding requirements have put off potential private and voluntary and community sector project sponsors. In others they have resulted in projects incurring additional costs through the need to borrow or bank-roll money until funding has become available. This is a particularly expensive and risky situation for small-scale and community-based projects.⁶⁹ Again, evidence that this remains a significant issue at a programme level is weak. It may, however, be contributing to the limited range of bodies involved with the programmes.

The devolution of some financial responsibilities to regional agencies does appear to have reduced previous match-funding difficulties to an extent, but they continue to be an issue.⁷⁰ One respondent to the Internet Survey suggested that a preferred model would have been for various regional organisations involved in planning the use of Structural Funds to demonstrate leverage by showing that Structural Funds can add value to an entire existing domestic budget.

One of the biggest recent changes in match funding procedures is the introduction of co-financing arrangements for Objective 3 programmes. Views on the effects of this were mixed. A common view was that the co-financing approach has reduced the differences between domestic and Structural Fund initiatives and been a positive force for improving policy integration.

On the whole, co-financing is seen as an improvement on the previous situation where Structural Funds had to be matched. It is seen as administratively far more simple and less bureaucratic than the Objective 2 approach and as having significant advantages resulting both for the LSC and for providers/ applicants. Co-financing can allow for

⁶⁷ Warwick Business School & ECOTEC 91996) *Value for Money of Local Authority Capital Expenditure Phase II: European Union Funding and UK Local Authorities*, 35

⁶⁸ Warwick Business School & ECOTEC (ibid.) p. 31

⁶⁹ House of Lords (1997) *Reducing Disparities within the European Union: The Effectiveness of the Structural and Cohesion Funds*, para.70; ECOTEC (1997) *Interim Evaluation of the Midlands Uplands Objective 5b Programme 1994-1999*, London: DEFRA, p.42; ECOTEC (1997) *Ex-Post Evaluation of the 1994-96 and Interim Evaluation of the 1997-99 Objective 2 Programmes in the East Midlands*, p. 43

⁷⁰ Roberts, P. (1997) *Partnerships, programmes and the promotion of regional development: an evaluation of the operation of the Structural Funds regional programmes*, p. 20

rapid responses to urgent issues as well as providing some scope for innovations / risks whereas the current perception of Objective 2 is that it is extremely bureaucratic, tied up with red tape and overly prescriptive in relation to activities, thereby stifling innovation and risk.

While the simplified arrangements appear to have helped organisations who have found it difficult to source match funding, a downside, identified by some respondents to the Internet Survey, is a perception that there is less scope for discretion in the use of funds on the part of applicant organisations. At the time of writing, a national evaluation of co-financing in England is being conducted by DWP.

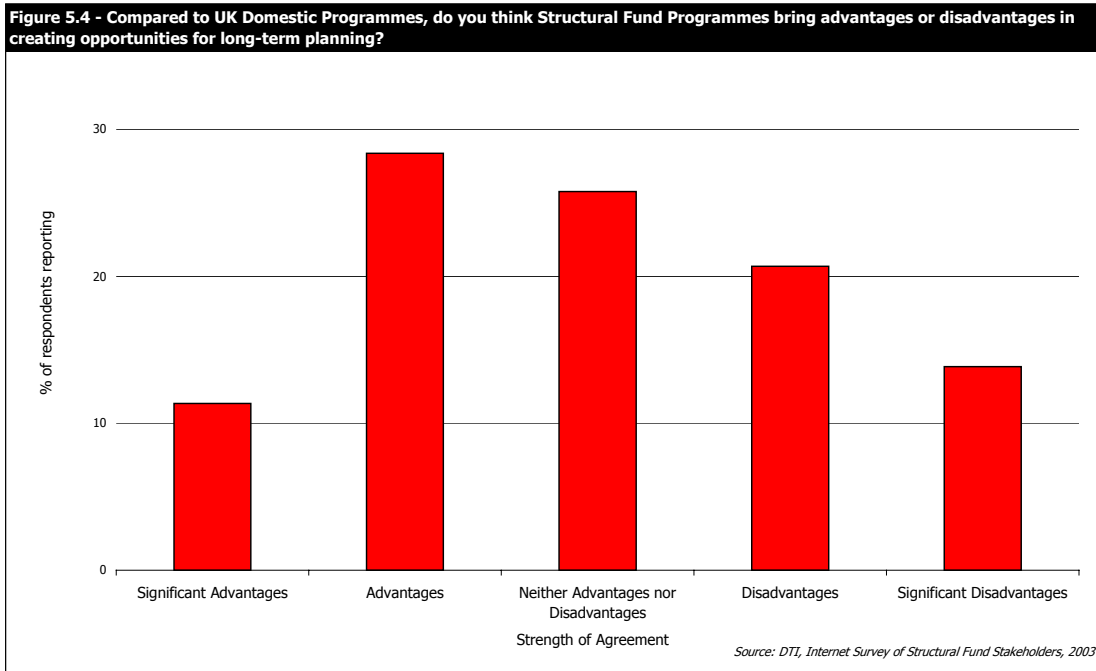
5.5 The Funding Cycle

A question that evaluation reports rarely touch is the net benefit of the multi-annual funding cycle adopted by Structural Fund programmes. Whilst it is often commented on favourably in terms of strategy planning and development, it is less often considered from a financial perspective. Again the messages are mixed.

5.5.1 The Certainty/ Longevity of Funding Cycles

The Internet Survey demonstrates that opinion was divided on the advantages and disadvantages of Structural Fund programmes creating opportunities for long-term financial planning (Figure 5.4). In some instances, the longevity of Structural Fund programmes is seen as an advantage over the short-term nature of domestic funds. Qualitative responses highlighted the importance of Structural Funds in contributing to strategic and large-scale projects which had a larger impact than many shorter-term projects provided through domestic funds. The longevity of funding is also seen as a key benefit in terms of developing capacity-building initiatives. Interestingly, one of the mid-term evaluations does highlight the fact that it is hard to get firm commitments from other potential funders for funding beyond a 12-month cycle. This potentially limits these benefits.

A negative aspect of the longevity of funding, highlighted by some, is that programmes can quickly become out of date. As one respondent put it, “they can end up addressing yesterday’s problems.” Another said that the need to work on a long-term basis can also mitigate against a strategic approach by encouraging managing authorities and committees to be as flexible as possible. We deal with the flexibility issue below. However, it should be noted here that none of the mid-term evaluations have raised any substantial questions about the relevance of the existing programmes as currently constituted.



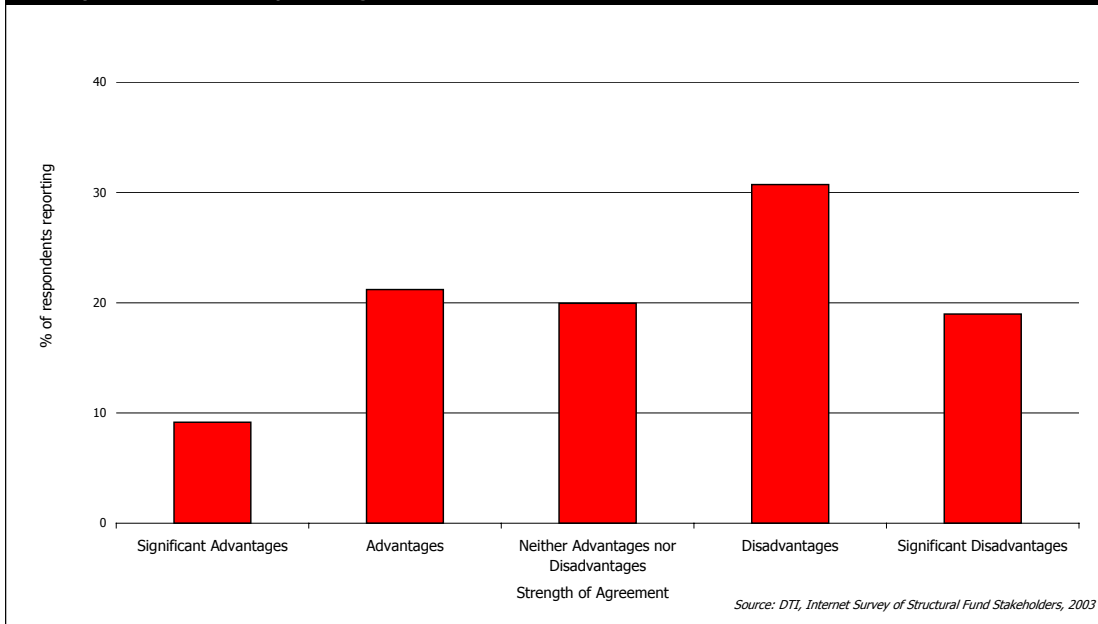
5.5.2 Flexibility of Funds

The Survey responses also pointed to a perception that Structural Fund programmes have disadvantages over domestic programmes in terms of flexibility (Figure 5.5). There was a general feeling that EU funds are more prescriptive and therefore restrictive in how they can be applied. One comment was that the resources available for project development in general are “woefully short of what is required” as they are largely tied up with ensuring compliance to regulation rather than targeted at assisting project development.

In some cases it was felt that it was difficult for European funding mechanisms to respond to “changing events” at the local level. Foot and mouth was highlighted as an example of Structural Fund programmes being overtaken by local events. One respondent had found it difficult to attract Structural Funds support for some of the recovery measures that were implemented.

The ring-fencing of Structural Funds for certain priorities/ measures can mean that project managers have very little opportunity/allowance to adapt their projects in the face of changes in the market place. This was identified as a particular issue for the private sector.

Figure 5.5 - Compared to UK Domestic Programmes, do you think Structural Fund Programmes bring advantages or disadvantages in the ability to use the funds to respond to urgent needs?



6.0 STRUCTURAL FUND MANAGEMENT AND ADMINISTRATION PROCESSES

6.1 Introduction

In this section we review evidence of perceived benefits and costs associated with processes involved in the development, management and implementation of Structural Fund programmes.

Structural Fund programmes are implemented using a variety of mechanisms. While we highlight particular strengths and weaknesses of different programmes in the analysis that follows, we mainly concentrate on elements that are common across the programmes.

6.2 Approach to Programming

The approach to Structural Fund programming has a number of distinctive features that are set down in European Commission regulations. These include a requirement for extensive needs assessment and baselining, partnership approach and consultation during the preparation of strategies, target setting and strong attention to monitoring and evaluation, including ex-ante evaluation.

6.2.1 Quality of Needs Assessment and Programme Strategies

The majority of the stakeholders who responded to the Internet Survey and who were involved in programme management felt that the Structural Funds brought advantages for both the quality of needs analysis prior to developing programme strategies and the quality of strategies produced. This can in particular be explained by the increasing importance of ex-ante evaluations, particularly since the reform of the Structural Funds in 1998.

The evaluation culture inherent in the programmes has arguably resulted in a more critical approach to understanding the requirements of co-ordinated regeneration activities.⁷¹ Based on findings of ex-ante evaluations, the European Commission has pushed for progressively greater and more systematic analysis of regional skills and business during the preparation of Programme strategies. This has arguably resulted in a greater understanding of local resources and demand. During the 1994-97 programming period, Objective 2 programme partnerships completed a more thorough analysis of labour market and sector issues, and the Objective 3 focused more strongly on regional labour market needs. In the case of Objective 3, needs

⁷¹ Roberts, P. (1997) *Partnerships, programmes and the promotion of regional development: an evaluation of the operation of the Structural Funds regional programmes*, p. 28

analysis is thought to have allowed for a more appropriate selection of projects under the programmes.⁷² The ex-post evaluation of the UK's Objective 1 programmes for 1994-1999 highlighted benefits derived from the sectoral analyses encouraged by the European Commission at the programme-planning stage. These analyses have been consolidated under the current programming period.⁷³

6.3 Partnership Working

Structural Funds programme strategies and plans are developed and implemented by Managing Authorities working with cross-sector partnerships responsible for the area or sector concerned. Structural Fund partnerships represent public, private, community and voluntary sector interests and the 'partnership principle' permeates throughout the programme development and implementation process. The multi-agency approach to programme development is promoted because it enables an overview of challenges and opportunities in a particular region or sector to be developed and for strategic linkages between interventions to be identified. The following sections consider the effects of partnership-based approaches under the following headings:

1. Partnership working at the programme level
2. Programme implementation.
3. Strengthening regional and sector planning capacity

6.3.1 Partnership Working at the Programme Level

Evidence from the literature suggests that the Structural Fund programming approach has drawn together the resources of organisations to identify and address local needs in a co-ordinated and mutually reinforcing manner, allowing the development of consensus around funding priorities and a more integrated solution, in contrast to previous sectoral interventions.⁷⁴

The majority of respondents to the Internet Survey felt that the approach to developing Structural Fund Programmes has advantages when compared with domestic practices in terms of the breadth of consultation on programme strategies. A number of qualitative responses to the Survey suggest that the partnership-based approach has engendered a more integrated approach than in the case of domestic planning processes. The majority of respondents to the Internet Survey perceive that

⁷² Taylor, S. & Promé, C. (1997) *Structural Fund Synergies - the ERDF and ESF in Objective 2 Programmes*, p. 33

⁷³ Taylor, S. & Downes, R. (2001) *The Structural Funds Facilitating Information Society*, p. 31; ECOTEC (2002) Ex-post evaluation of the UK Objective 1 Programmes 1994-1999, p. 73; Allen, J., Hansbro, J. & Mooney, P. (1999) *Pathways to Employment: The Final Evaluation of ESF Objective 3 in Britain (1994-1999)*, p. 101

⁷⁴ DTI, ODPM & Treasury (2003) *A modern regional policy for the UK*, p.19

Structural Fund strategy planning processes lead to better quality strategies than those produced for domestic programmes.

Many mid-term evaluations of 2000-06 Structural Fund programmes have also highlighted the perceived benefits of partnership-based strategies. For example, a mid-term evaluation of an Objective 2 region found that the Structural Fund approach to meeting regional needs has encouraged some areas to tackle development priorities in a much more strategic manner.⁷⁵ However, not all the evidence is positive about the outcomes of partnership-based approaches. One mid-term evaluation found that the regional programme concerned was less a coherent vision for the future and more a compromise between competing needs because “organisations tend to respond tactically rather than strategically to the opportunities offered by Structural Funds support.”⁷⁶

6.3.2 Partnership Approaches to Implementation

Partnership working was frequently cited in the mid-term evaluations of the 2000-2006 programmes as bringing significant added value to the implementation of programmes and projects.

Positive effects cited in mid-term evaluations include: building democratic and inclusive approaches, developing holistic programmes, sharing intelligence to target resources to meet local needs and introducing new organisations to regional/sub-regional regeneration programmes (for example organisations with an environmental policy remit). In recent programming periods a move towards partnership-driven ‘action plan’ or ‘package’ approaches to implementation has been recognised as providing greater potential for added value through inherent synergies, especially between ERDF and ESF elements but also with domestic initiatives⁷⁷.

A number of mid-term evaluations found that Structural Fund partnerships had been particularly successful in engaging the voluntary sector.⁷⁸ According to one respondent to the Internet Survey, capacity building actions in Structural Fund programmes allow consultation time and resources for voluntary sector infrastructure development and more creative input to project planning from local residents and community groups. The respondent notes that this “allowed organisations to build developmental layers and phases to projects thereby enabling realistic and achievable milestones maximising inclusivity and giving projects a greater chance of long-term sustainability”.

⁷⁵ CSES (2003) *Mid-Term Evaluation of East of England Objective 2 programme*, July

⁷⁶ For example Fraser Associates based on findings of the Mid-Term Evaluation of the Objective 1 Programme in the Highlands & Islands 2000-2006

⁷⁷ Jacobs, J. (1997) *Streamlining the Structural Funds – Government Reviews Administration in England*, pp.3-5

⁷⁸ For example: Hall Aitken (2003) *Analysis of the Mid-term Evaluation of Objective 3 in Scotland*; Cardiff University and Old Bell 3 (2003) *Mid-Term Evaluation of Objective 3 Programme for East Wales 2000-2003*

Generally, it was felt to be more difficult to engage the private sector in Structural Fund activities, partly because businesses are unable to cover the costs of attending partnership meetings etc..

The Internet Survey generated positive comments on the benefits of the partnership-based approach to implementation. Respondents noted the ability of the Structural Funds to draw together regional and sub-regional partners in order to achieve large-scale strategic delivery. According to one respondent, “the planning and implementation of the programme has brought together in an integrated way a wider range of regional interests than any other single programme previously. This is a definite advantage in terms of achieving its overall goals.” Another respondent noted that, whilst domestic programmes also involved partnership working, decisions are usually made by the sponsoring agency.

The specific advantages that the Structural Funds offer for promoting partnership has probably decreased over time:

- A mid-term evaluation of Objective 2 found that over time the role of the Structural Funds for championing partnership working has diminished, in part because partnerships are now embedded in so much economic development activity. It states that “partnership working is now viewed as being part of the architecture.”⁷⁹ Another evaluator argues that, whereas previous programmes had made an important contribution to partnership working (as well as monitoring and evaluation), it is generally thought that the contribution is now more limited.⁸⁰
- Across a variety of different Structural Fund programmes it is evident that projects are frequently developed either by existing partnerships or by a single lead partner. The degree to which new partnerships are stimulated by the availability of Structural Funds, and are permanent alliances, is also questioned by some mid-term evaluations. Several evaluators state that they doubt whether partnership working in the region would continue once funding resources dried up.⁸¹

A series of costs in relation to partnership working can also be identified. It is acknowledged in the mid-term evaluation literature on partnership working that creating and servicing partnerships can be resource intensive. In addition, partnerships do not always encourage strategic thinking. Bringing in diverse interests can create conflicting policy aims and funding priorities. For example, one mid-term

⁷⁹ Fraser Associates (2003) *Mid-Term Evaluation of the North West of England Objective 2 Programme 2000-2006 (Draft)*

⁸⁰ ECOTEC (2003) *Mid-Term Evaluation of South East of England Objective 2 Programme 2000-2006*

⁸¹ For example: Fraser Associates (2003) *Mid-Term Evaluation of the Highlands & Islands Special Programme 2000-2006 (Draft)*; Cardiff University and Old Bell 3 (2003) *Mid-Term Evaluation of the East Wales Objective 3 Programme 2000-2000 (Draft)*

evaluation found that keeping a large number of partners satisfied can be a difficult process.⁸²

The mid-term evaluations also cited problems when it came to synergy with other domestic approaches. One evaluation found, for example, that European timescales were difficult to reconcile with domestic regimes.⁸³ In addition, conflicting priorities between the Objective 2 programme and the Regional Economic Strategies in one region were predicted to cause future conflicts in terms of spending priorities.⁸⁴

In particular, the literature has highlighted barriers to integration arising from the separation of the bidding processes for different funds and activities in programmes. This can give rise to a project-led approach to implementation.⁸⁵ Action plan and package approaches that can draw on more than one Fund and involve a range of activities have reduced constraints arising from the division of activities to an extent. Although, a variety of mid-term evaluations of 2000-06 programmes suggest that the Action Plan approach only truly adds value where the implementation of programmes through a series of local plans is achieved while regional strategic oversight is maintained.⁸⁶

6.3.3 Strengthening Capacity for Regional and Sector Planning

There is evidence that the partnership approach embedded in Structural Fund implementation mechanisms has had an important effect on capacity for planning regional and sector intervention.

The 1989 move towards a regional approach to Structural Fund programming (replacing a sector-focused approach) is recognised as a factor in encouraging a resurgence of regional strategic capacity across the UK (alongside other drivers such as developments towards what would later become the regional planning guidance (RPG), growing regionalism and political changes that brought in less centralist governments which recognised a need for improved regional management and strategic guidance).⁸⁷ Roberts and Lloyd note that regional governance was weak for much of the UK until the late 1990s, following a uniform approach to regional planning in the 1960s and 1970s and the considerable withdrawal from regional

⁸² Cardiff University and Old Bell 3 (2003) *Mid-Term Evaluation of the East Wales Objective 3 Programme 2000-2006 (Draft)*

⁸³ For example: CRG Research Ltd. (2003) *Mid-term Evaluation of the West Wales and the Valleys Objective 1 Programme 2000-2006 (Draft)*

⁸⁴ Centre For Strategy & Evaluation (2003) *Mid-Term Evaluation of the East Midlands Objective 2 Programme 2000-2006 (Draft)*

⁸⁵ ECOTEC (2001) *Ex-post evaluation of the UK Objective 1 Programmes 1994-1999*, p.117; PIEDA plc. (1996) *Mid-Term Evaluation of Merseyside Objective One Programme*, p. i

⁸⁶ Yorkshire and the Humber Universities Association, Millburn, Trinnaman La Court & EKOS Limited (DATE) *Interim Evaluation of the Yorkshire and the Humber Objective 2 1997-1999 Programme*, p. 154-55

⁸⁷ Roberts, P. & Lloyd, G. (1999) "Institutional aspects of regional planning, management, and development: models and lessons from the English experience", *Environment and Planning B: Planning and Design*, Vol. 26, p. 524-6

planning under the Conservative governments of the 1980s and early 1990s.⁸⁸ Multi-agency approaches to planning stimulated by the Structural Funds are now increasingly embedded at a regional level.⁸⁹

It is claimed that Structural Fund programmes were seen by local and regional authorities as a means of gaining greater autonomy relative to national government in the field of economic development and that this has stimulated their participation in regional strategic planning.⁹⁰ The possible exception was Scotland where a history of regional institutions and economic strategies meant that there was already a considerable strategic capacity in place.

The mid-term evaluations also provide specific evidence of the influence of Structural Funds on domestic governance structures and regional planning processes. For example:

- In one Objective 2 region partnership working contributed to the integration of the Regional Development Agency from a variety of predecessor organisations.⁹¹
- One mid-term evaluation cited partnership working as contributing to domestic policy by increasing familiarity and interactions along the main players and encouraging subsequent partnership initiatives.⁹²
- Local Action Plans developed under the Yorkshire and Humber Objective 2 Programme for 1997-1999 were recognised as having supported the development of strategic co-operation, partnerships and improved synergies within targeted areas.⁹³
- In Strathclyde, the Objective 2 Programme's partnership was recognised as filling the absence of a region-wide body following the loss of the Strathclyde Regional Council.⁹⁴
- In Objective 1 regions, European Funds' support for RTDI has also been credited with stimulating the development of regional innovation strategies.⁹⁵ Similar evidence can be found in some Objective 2 regions such as the West Midlands.

⁸⁸ Ibid p.522

⁸⁹ Roberts, P. (1997) *Partnerships, programmes and the promotion of regional development: an evaluation of the operation of the Structural Funds regional programmes*, p. 13; CEMR (2002) *The Added Value of European Union Cohesion Policy*, Paris: CEMR, p.6; Joseph Rowntree Foundation (DATE) *Regional strategy and partnership in European programmes*, p.1

⁹⁰ Michie, R. & Bachtler, J. (1996) *Managing the Structural Funds: Institutionalising Good Practice*, p.7

⁹¹ Fraser Associates (2003) *Mid-Term Evaluation of the North West of England Objective 2 Programme 2000-2006 (Draft)*

⁹² For example: Fraser Associates (2003) *Mid-Term Evaluation of the Highlands & Islands Special Programme 2000-2006 (Draft)*

⁹³ Yorkshire and the Humber Universities Association, Millburn, Trinnaman La Court & EKOS Limited (1999) *Interim Evaluation of the Yorkshire and the Humber Objective 2 1997-1999 Programme*, London: DETR, p. 153-4

⁹⁴ EKOS (1999) *Interim Evaluation of the Western Scotland Objective 2 1997-1999 Programme*, Strathclyde: Strathclyde European Partnership Limited, p. 74

⁹⁵ European Commission (1999) *Thematic Evaluation of the Structural Fund Impacts on RTDI in Objective 1 and 6 regions: Executive Summary*, Brussels: European Commission, p. ii

- Structural Funds have been accredited with having stimulated Western Scotland's regional approach to information society following the previous absence of effective strategic initiatives in this field.⁹⁶

6.6 Programme Management and Administration Processes

The administrative burden of the Structural Fund programmes, in particular for the smaller scale Community Initiatives, is frequently cited as being their main disadvantage and a significant cost. Common criticisms and frustrations include time-consuming processes, delays in approval decisions and payments, bureaucratic procedures, complex legal requirements and weighty and inaccessible documentation. All of these conspire to reduce the effectiveness and efficiency of projects and the programmes.⁹⁷

Programme evaluations provide a wealth of evidence on the perceived costs of Structural Fund administration processes. In the 1994-97 programming period, for example, the inflexibility of procedures has resulted in the abandonment of project in Scotland's 1994-1999 URBAN, ADAPT and EMPLOYMENT programmes.⁹⁸ In the mid-term evaluations of current programmes, the administrative requirements of the Structural Funds were generally seen to be a 'burden' disproportionate to the size of programmes. The dissatisfaction with administrative requirements of Structural Fund programmes is translated down to the project level.

It is worth noting that at least one mid-term evaluation justifiably blamed the interface with UK policy and financial accounting requirements for contributing to creating the administrative burden associated with Structural Fund programmes.⁹⁹ It was felt that the UK government has added to the administrative requirements of the mainstream programmes because of a 'low trust, high audit culture'. Interestingly, participants in the Objective 2 programme for the North West of England felt that the administrative burdens of the Community Initiatives directly financed by the European Commission were relatively light in comparison to that of mainstream programmes.

Many mid-term evaluations have cited evidence of the duplication of implementation procedures for EU and domestic programmes and within EU programmes. The preparation of separate programmes with different project assessment criteria and project selection processes is seen as contributing to inefficiencies in programme delivery. For example, in one Objective 1 programme the same appraisal work was

⁹⁶ Taylor, S. & Downes, R. (2001) *The Structural Funds Facilitating Information Society*, IQ-Net Paper Strathclyde: European Policies Research Centre, p. 2-3

⁹⁷ House of Lords (DATE) *Reducing Disparities within the European Union: The Effectiveness of the Structural and Cohesion Funds*, para. 69-72

⁹⁸ ECOTEC (1997) *Assessment of the Key Lessons from Implementing Community Initiatives in Scotland, 1994-1999*, p. 12-13

⁹⁹ Fraser Associates and Regeneris (2003) *Mid-Term Evaluation of the North West of England Objective 2 Programme 2000-2006 (Draft)*

carried out by the monitoring committee and the advisory groups.¹⁰⁰

Difficulties have also been experienced due to inconsistencies in the responses of government agencies and the added complication of the programmes being split across various Directorate-Generals at the Community level and government departments nationally.¹⁰¹ This fragmentation of policies across administrative structures has been criticised by some as an additional obstacle for achieving synergies and complementarity whilst providing opportunity for unnecessary waste through duplication (including for example the requirement to submit several applications for a single project where they are drawing of more than one Fund).¹⁰² Under previous programming rounds (prior to greater decentralisation of administration) this was particularly evident. For example, Objective 5b programmes had three funds administered by three separate bodies.¹⁰³ To an extent, such fragmentation continues under the current programming period with the centralised administration of the FIGG. In Scotland, departmental fragmentation has been less of a problem as the Scottish Executive (and previously the Scottish Office) is more co-ordinated across departments than are the English regions, even after the establishment of the Government Offices of the Regions.¹⁰⁴

Administrative obstacles have been found to be even more significant in transnational projects, usually supported by the Community Initiatives. Here, the different application and approval procedures of each Member State result in some cases in costly delays and inappropriate partnership changes.¹⁰⁵ Transnational working also inherently involves additional costs for projects (establishing and maintaining a transnational network).¹⁰⁶

State aid regulations, to which the Structural Funds are subject, have also created delays and an additional administrative burden for project sponsors. The strict implementation of these regulations is thought to overlook the market failures often present in deprived areas, essentially erecting additional obstacles for their regeneration.¹⁰⁷ However, no evidence has been identified that this is unique to the Structural Funds.

¹⁰⁰ For example: Fraser Associates (undated) Mid-Term Evaluation of the Objective 1 Programme in the Highlands & Islands

¹⁰¹ House of Lords (1997) *Reducing Disparities within the European Union: The Effectiveness of the Structural and Cohesion Funds*, para. 69; Getimis, P. 2003, *Improving European Union Regional Policy by Learning from the Past in View of Enlargement*, European Planning Studies, Vol.11, No.1, pp.77-87.

¹⁰² ECOTEC (1997) *Interim Evaluation of the Midlands Uplands Objective 5b Programme 1994-1999*, p. 54

¹⁰³ ECOTEC (1997) *Interim Evaluation of the Marches Objective 5b Programme 1994-1999*, p. 72

¹⁰⁴ House of Lords (1997) *Reducing Disparities within the European Union: The Effectiveness of the Structural and Cohesion Funds*, para.48; Roberts, P. 2003, *Partnerships, programmes and the promotion of regional development: an evaluation of the operation of the Structural Funds regional programmes*, Progress in Planning, Vol.53, pp.1-69.

¹⁰⁵ ECOTEC (1999) *Assessment of the Key Lessons from Implementing Community Initiatives in Scotland, 1994-1999*, p. 7

¹⁰⁶ Ibid. pp. 8-9

¹⁰⁷ DTI, ODPM & Treasury (2003) *A modern regional policy for the UK*, p. 19

Administrative delays and state aid constraints have ultimately had an impact on the engagement of the private and voluntary sectors in the Structural Fund programmes.¹⁰⁸ The drawn-out procedures and heightened bureaucracy inherent in the programmes have been cited by these sectors as the main reasons why organisations, particularly small ones, choose not to engage in European funding.¹⁰⁹

A number of mid-term evaluations have highlighted problems of project slippage caused by delays of the project appraisal and selection process. This must be seen to mitigate to some extent against the ability of the Structural Funds to bring forward projects and improve the speed of delivery. In one 2000-6 programme, the appraisal process has slowed down the timing of some projects, in particular those that could have proceeded quite quickly. Processes were perceived to be much slower when compared to other funding streams.¹¹⁰ Delays in the approval for projects are cited as reducing confidence in the ability of programmes to deliver and in some cases have alienated sections of the partnership.¹¹¹

Delays can also produce cash flow problems in particularly for smaller organisations and this can sometimes discourage applications. The delays in payment of claimed expenditure under ESF in previous programming periods has been criticised in particular. In some cases, the delays potentially threatening the existence of projects and/or project sponsor organisations.¹¹² However, evidence from the mid-term evaluation of the 2000-06 Objective 3 programme in England does not provide evidence of payment delays to projects. This suggests that co-financing arrangements have rectified this problem.

Evaluation evidence suggests that, whilst specific aspects of the implementation processes have been streamlined over successive programming periods before 2000, the administration costs of implementing the Structural Funds did not appear to be reducing overall. A number of mid-term programme evaluations noted improved efficiency in relation to project implementation. However, in several cases it was felt that administrative requirements at the Programme level were increasing, particularly with the growing demands by European Commission in relation to justification, targeting and quantification of outcomes that have been incorporated in the programming culture of the 2000-6 period.

¹⁰⁸ Taylor, S. & Promé, C. (1997) *Structural Fund Synergies - the ERDF and ESF in Objective 2 Programmes*, IQ-Net Thematic Paper 2(2), (Strathclyde: European Policies Research Centre).

¹⁰⁹ European Commission. (1999) *Thematic Evaluation of the Structural Fund Impacts on RTDI in Objective 1 and 6 regions: Executive Summary*, (Brussels: European Commission); Taylor, S. & Promé, C. (1997) *Structural Fund Synergies - the ERDF and ESF in Objective 2 Programmes*, IQ-Net Thematic Paper 2(2), (Strathclyde: European Policies Research Centre).p. 47

¹¹⁰ EKOS Consulting (2003) *Mid-Term Evaluation of the North East Of England Objective 2 Programme 2000-2006 (Draft)*

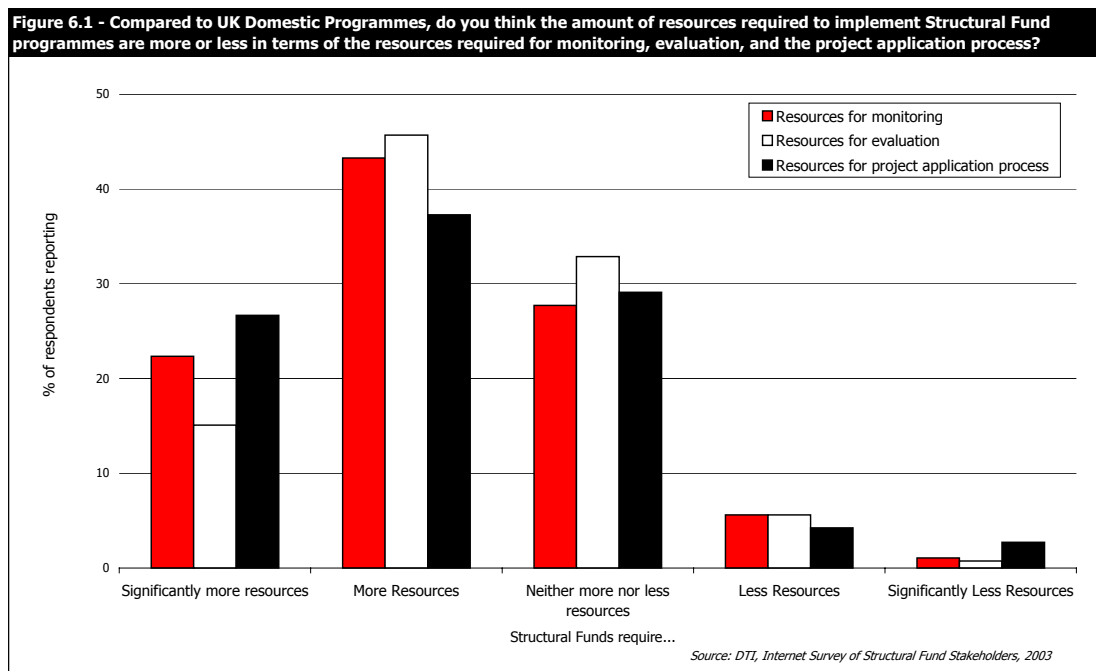
¹¹¹ *ibid.*

¹¹² PIEDA, plc. (1996) *Mid-Term Evaluation of Merseyside Objective One Programme*, (Manchester: PIEDA, plc); ECOTEC (1997) *Ex-Post Evaluation of the 1994-96 and Interim Evaluation of the 1997-99 Objective 2 Programmes in the East Midlands*, p. 37

It could be argued that the complex administrative requirements of the Structural Fund programmes are merely good management practice. There was considerable agreement across the mid-term evaluations that the procedures created a ‘rigour’ that was not always present in domestic programmes. The idea of ‘rigour’ was not always dissected sufficiently by evaluators, but was associated in their analysis with questions of accountability and encouraging projects to be relatively focused on what they are trying to achieve. One evaluator questioned whether the benefits of increased rigour were merely perceived rather than actual and concluded that this rigour *may* lead to higher quality and more effective projects.¹¹³

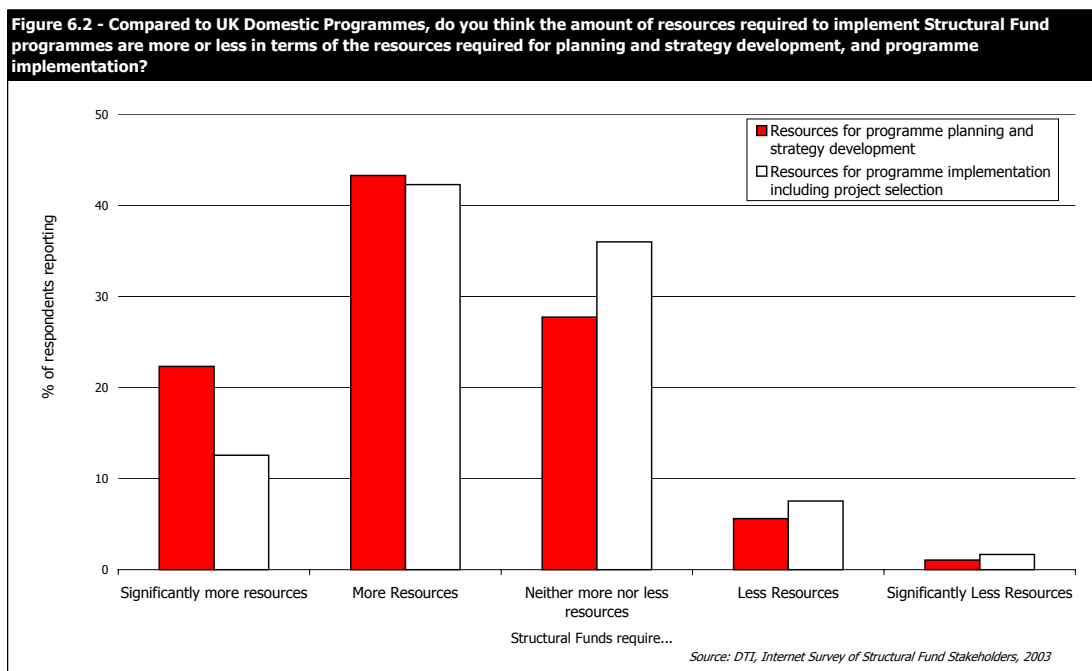
Administrative Costs

Respondents to the Internet Survey who reported that their primary role with the Structural Funds was in project activity were also asked whether they thought Structural Fund projects required more resources than UK domestic programme projects for the monitoring, evaluation and the project application process. A majority of respondents (around 60%) felt that more or significantly more resources were required to implement Structural Fund programmes in terms of the resources required for these activities (Figure 6.1).



A majority of strategic organisations responding to the Internet Survey also reported that more or significantly more resources were required for both programme planning and strategy development and programme implementation for Structural Fund programmes in comparison to domestic programmes (Figure 6.2).

¹¹³ CSES (2003) *Mid-Term Evaluation of Objective 3 Information Society Horizontal Theme (Draft)*



In the mid-term evaluations, a number of evaluators stated that administrative procedures required high staff costs at all levels. In one Objective 3 programme it was felt that administrative costs significantly reduced the ability of projects to offer value for money.¹¹⁴ For example, the evaluator of the current Objective 3 programme in Wales pointed out “the relative ease of running Higher Education Economic Development funds which are run directly by HEFCW with the pain and complexity of KEF (Knowledge Exploitation Fund) which includes ESF and ERDF funding.”

Stifling Innovation

One mid-term evaluation found that the innovative nature of Structural Fund programmes were stifled due to the administrative procedures required by the systems of funding delivery.¹¹⁵ One particular instance of this is the fact that retrospective payments create cash flow problems for many organisations, particularly small ones, and do not encourage risk taking.¹¹⁶

The scoring system has been criticised for having been implemented too strictly, in some cases overlooking project quality, discouraging innovative projects which could bring strong long-term impacts but only average outputs and neglecting, due to the

¹¹⁴ Cardiff University and Old Bell 3 (2003) *Mid-Term Evaluation of the East Wales Objective 3 Programme 2000-2006 (Draft)*

¹¹⁵ Fraser Associates (2003) *Mid-Term Evaluation Of The North West Objective 2 Programme 2000-2006 (Draft)*

¹¹⁶ Yellow Book (2003) *Mid-Term Evaluation of the Objective 2 Programme for Western Scotland 2000-2006 (Draft)*

scoring of project on an individual based, the synergies created by inter-related projects.¹¹⁷ Programme evaluations have also recognised that where there has been a lack of competition for funds, the scoring system has resulted in the approval of projects of a poorer quality.¹¹⁸ The requirement for separate bids to different Funds for various elements of the same project has also posed risks of jeopardising projects promoting cross-fund synergies, if the whole package is not approved.¹¹⁹

Preventing Strategic Thinking

Ultimately the administrative structure of the programmes has often resulted in more time being spent on technical processes rather than strategic work. This situation is often found in Programme Monitoring Committee (PMC) meetings which can work to alienate some stakeholders.¹²⁰ The programmes' focus on mechanistic processes, such as the scoring of applications during appraisal, has been criticised for its weak strategic approach. This has in many cases resulted in the 'pepper-potting' of projects rather than fully exploiting the potential for synergies and strategic links. It has also favoured the best bid writers as well as those with sufficient capacity and resources to develop bids, rather than the fields and areas with the most need.¹²¹

6.4 Appraisal and Project Selection

The nature of the project application, appraisal and selection process has attracted mixed views: evaluation evidence and respondents to the Internet Survey have reported both advantages and disadvantages. Issues identified include:

- The rigour involved in the appraisal process for the Structural Funds was in general perceived more positively than other administrative aspects as it was seen to have a direct benefit in terms of encouraging organisations to become focused on what they were planning to deliver. For example, the application process enabled one organisation consulted through the Internet Survey to focus on specific targets and outcomes: "Making the application enables our organisation to focus exactly on what we want to do. By creating that focus it ensures that we develop clear aims - and that we apply them."

¹¹⁷ EKOS (1999) *Western Scotland 1994-1996 Objective 2 Programme Final Evaluation*, p.115; ECOTEC (1997) *Ex-Post Evaluation of the 1994-96 and Interim Evaluation of the 1997-99 Objective 2 Programmes in the East Midlands*, p. 47

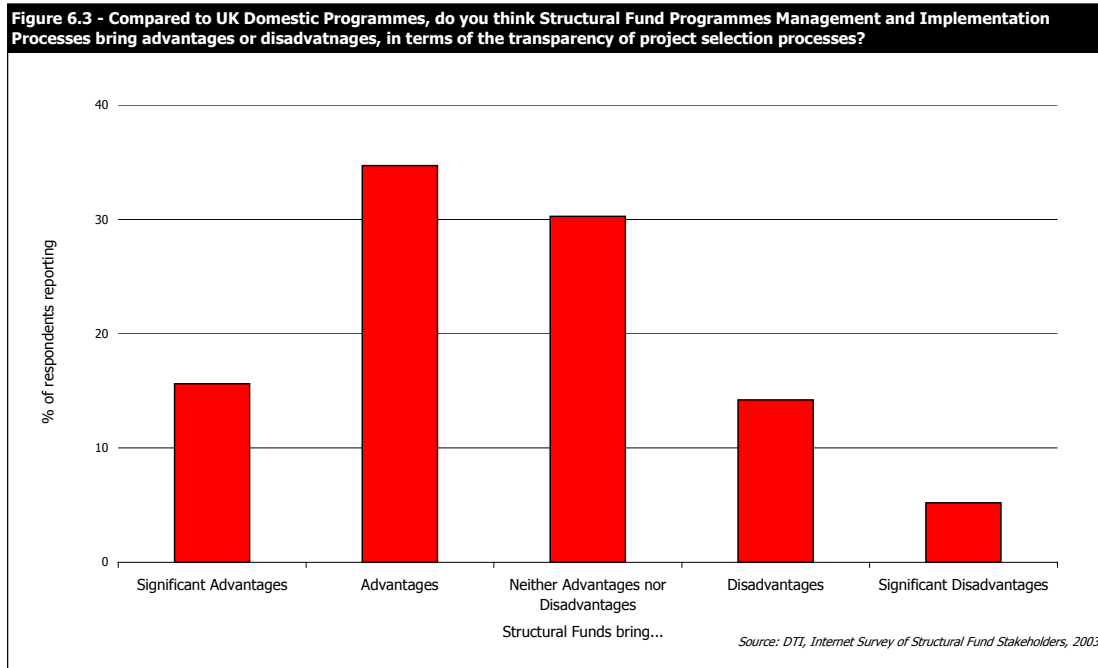
¹¹⁸ EKOS (1999) *Interim Evaluation of the Western Scotland Objective 2 1997-1999 Programme* p. 69

¹¹⁹ ECOTEC (1997) *Interim Evaluation of the Midlands Uplands Objective 5b Programme 1994-1999*, p. 54

¹²⁰ Michie, R. & Bachtler, J. (1996) *Managing the Structural Funds: Institutionalising Good Practice*, pp. 40-42; EKOS (1999) *Western Scotland 1994-1996 Objective 2 Programme Final Evaluation*, p. 115

¹²¹ Warwick Business School & ECOTEC (1996) *Value for Money of Local Authority Capital Expenditure Phase II: European Union Funding and UK Local Authorities*, pp. 23-34; PIEDA plc. (1996) *Mid-Term Evaluation of Merseyside Objective One Programme*, p. 42

- The perceived rigour of the project appraisal and selection process may be partly responsible for the fact that the Internet Survey produced largely positive views on the transparency of the Structural Funds application process (Figure 6.3). In particular, the role of panels and the scoring criteria were highlighted as two important benefits of the process. Nevertheless, this is not a universally held view. Some respondents reporting a perceived lack of clarity in relation to appraisal process and decision making – and concern over ‘changing goal posts’ in relation to targets and priorities.



- The strict criteria for environmental and equal opportunities in projects applications is also seen as an important added benefit of the Structural Funds by some respondents to the Internet Survey. For example, one respondent felt that the application process encourages innovative thinking on certain issues through the requirement to demonstrate additionality and consider equal opportunities and sustainable development principles. However, others were less positive about the inclusion of selection criteria related to horizontal priorities in the application, seeing it as a ‘tick box exercise’ without necessarily encouraging a real commitment to these issues.
- There is evidence from mid-term evaluations of 1994-99 programmes and 2000-06 programmes that participants felt that the project selection process and criteria were too elaborate and that this diluted the focus on the fundamental value of projects.¹²² This is seen as a particular issue for the voluntary sector and small

¹²² Fraser Associates (2003) *Mid-Term Evaluation of the Highlands & Islands Special Programme 2000-2006 (Draft)*

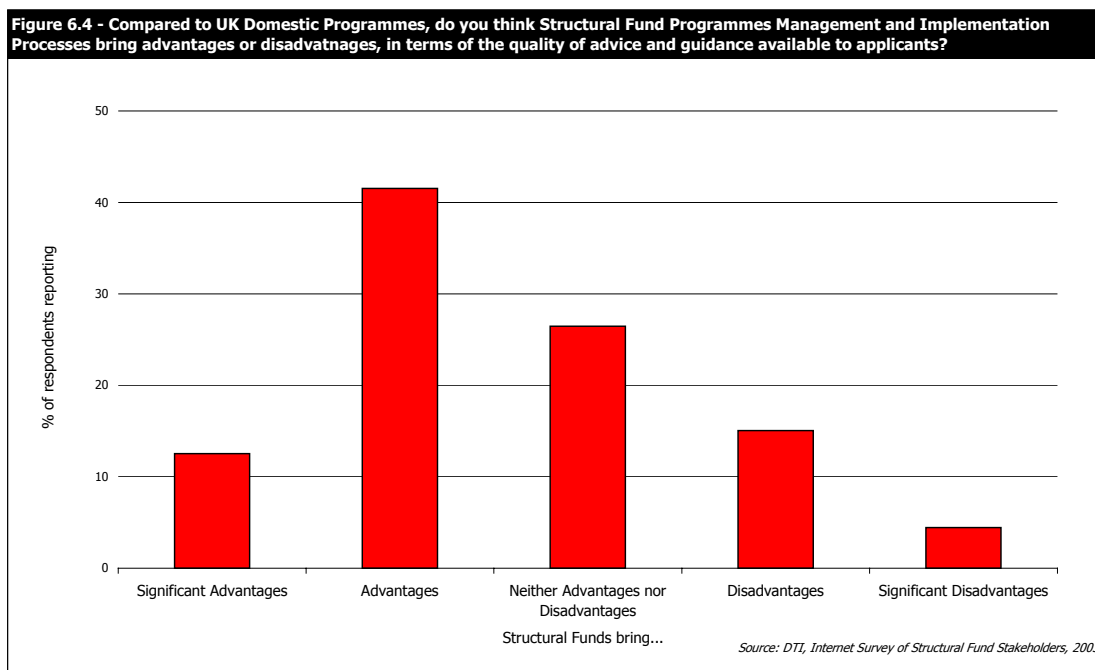
organisations that feel that the costs of the application process far outweigh the benefits of funded activities. A further criticism directed towards the Structural Funds by respondents to the Internet Survey is that the application process is not commensurate with the scale of projects. One respondent perceived that there was “the same level of bureaucracy for a £30,000 community development project as there is for a £30million road building project”.

- The match funding requirements associated with the Structural Funds are seen by some programme partners to lead to a monopoly situation in which only a smaller number of well-resourced organisations apply. For example, a mid-term evaluation of an Objective 3 programme pointed out that “a small number of organisations are responsible for the bulk of the projects since they are the only ones with the resources to provide match funding, but even these are becoming increasingly stretched”.¹²³ Finally, the fact that funding does not cover the time and resource costs of preparing complex bids was cited as a disadvantage of the Structural Funds which may have restricted the ability of organisations to develop quality bids, or apply in the first place.

It is important to note that many mid-term evaluations and responses to the Internet Survey suggest that the administrative burden associated with the project application process is seen as being ‘worth it’. One respondent to the Internet Survey commented that “our industry sector gets so much added value from our ESF projects that we see the cost of developing and managing programmes as necessary in order to reap benefits. The paperwork associated with Structural Funds is heavy but not an additional disadvantage.”

The nature of advice and guidance given to project applicants is considered favourably when compared with domestic programmes. More than half of respondents to the Internet Survey reported that Structural Fund programmes had advantages or significant advantages in this respect (Figure 6.4).

¹²³ Cardiff University and Old Bell 3 (2003) *Objective 3 Partnership Survey for the Mid-Term Evaluation of the East Wales Objective 3 Programme 2000-2003*



6.7 Monitoring and Evaluation

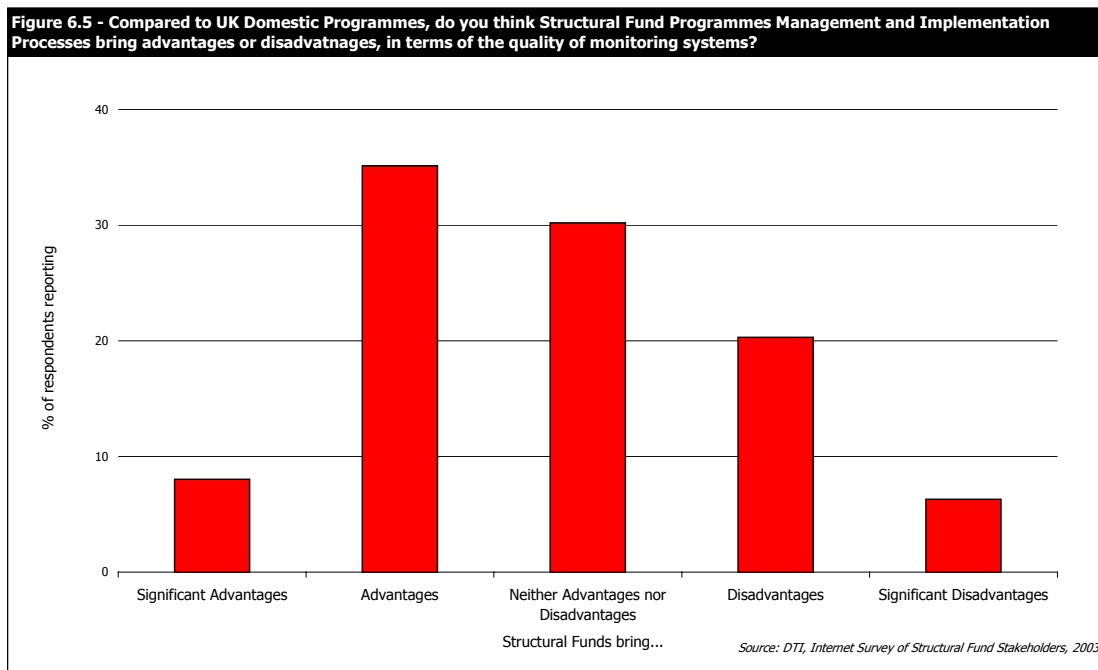
6.4.1 Monitoring

The Structural Funds have a highly developed culture of monitoring expenditure and outputs at the programme and project level. Whilst we have not reviewed the nature of monitoring processes adopted for domestic programmes as part of this study, Structural Fund monitoring systems, particularly during previous programming periods, are arguably more sophisticated (with more frequent reporting and more extensive reporting requirements) than for many domestic programmes. Certainly, monitoring requirements appear to have a higher profile in the case of Structural Fund programmes, perhaps due to the work of Programme Monitoring Committees, accountability to the European Commission and the threat of de-commitment and/or claw-back if expenditure and / or outputs fall behind schedule.

Available evidence points to both advantages and disadvantages of the monitoring requirements.

- Responses to the Internet Survey reveal that Structural Fund audit systems are largely seen as cumbersome when compared to domestic systems. A number of respondents commented that the complexity of the audit trail information had created barriers to private sector involvement for example.

- Overall, respondents to the Internet Survey thought that Structural Fund monitoring systems had advantages over domestic programmes in terms of quality (Figure 6.5). Qualitative responses suggest that some respondents see the strong emphasis on on-going monitoring as an advantage as it emphasises the quality of outcomes and encourages better systems. One small charity organisation described the monitoring procedures as a “burden with a blessing”. Although considered to be onerous, the monitoring process has enabled organisations to look more closely at value for money and outcomes. As one respondent commented, monitoring has led “to putting more effort into those areas which yield results for beneficiaries at lowest cost.”



- There is some evidence of a learning effect with organisations using systems set up for the Structural Funds more widely, leading to improved systems and structures. One respondent to the Internet Survey said that, “working with Structural Funds has dictated that we developed beneficiary quality and finance monitoring evaluation and tracking systems that have supported us in obtaining funds from other UK programmes such as the Learning and Skills Council.” Mid-term evaluations have also identified rigour of project evaluation and more sophisticated distinction between outputs, impacts and results as positive aspects of the programmes. In addition, monitoring practices were found to have increased awareness of the value of record keeping, monitoring and evaluation, and have created transferable skills to be used in other programmes. Monitoring is now a more prominent feature of domestic initiatives; some commentators attribute these developments to the experience of the Structural Funds. One mid-term evaluation for an Objective 2 programme reported that the measuring process

associated with the Structural Funds had been welcomed by programme partners and has been extended to domestic programmes.¹²⁴

- The duplication of effort associated with parallel procedures for auditing and monitoring Structural Fund and other domestic programmes is a factor cited as a cost of the Structural Funds in a number of recent mid-term evaluations¹²⁵ and by respondents to the Internet Survey. One respondent to the Internet Survey suggested that where match funding is used the major parties involved should work towards a common reporting format to reduce unnecessary duplication of systems and reporting.
- Some mid-term evaluations suggest that the suite of indicators used to monitor the progress and impact of Structural Fund programmes are both excessive and did not always capture all the relevant activities and outcomes involved in programmes and projects.¹²⁶ In addition, it was felt that the monitoring and evaluation requirements encouraged a reliance on ‘standard indicators’ that were easy to identify and record which limited innovation.¹²⁷

6.4.2 Evaluation

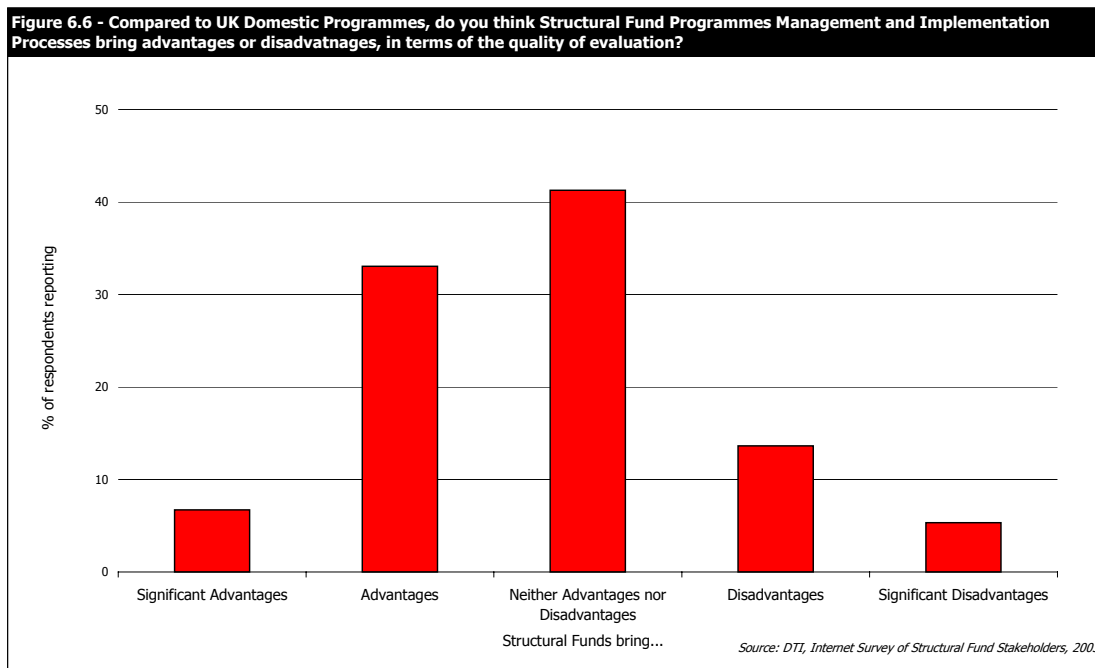
Opinion on the success of Structural Fund evaluation mechanisms is mixed. Over 40 per cent of respondents to the Internet Survey reported no difference in quality compared to UK programmes; around a third reported advantages or significant advantages (Figure 6.6).

¹²⁴ Fraser Associates and Regeneris (2003) *Mid-Term Evaluation of Objective 2 in the North West of England (Draft)*

¹²⁵ For example: ECOTEC (2003) *Mid-Term Evaluation of London Objective 2 Programme*, June

¹²⁶ Fraser Associates and Regeneris (2003) *Mid-Term Evaluation of Objective 2 in the North West of England (Draft)*

¹²⁷ Roger Tym and Partners (2003) *Mid-Term Evaluation of South Scotland Objective 2 Programme 2000-2006 (Draft)*



Evidence from the mid-term evaluations is also mixed. In one Objective 2 programme area, evaluation and review were seen by some participants as being more robust and comprehensive than those for domestic programmes.¹²⁸ However, in other programmes there were felt to be no clear advantages over domestic programmes, and some programmes involved a distinct lack of focus on evaluation and the gathering and dissemination on good practice.¹²⁹ Criticisms included a lack of engagement of actual beneficiaries¹³⁰ and a waste of money on evaluations that did not necessarily feed back into the programme management procedures.

6.8 Conclusions

The survey, literature review and analysis of mid-term evaluations have highlighted a number of key costs and benefits of the Structural Fund management and implementation processes:

- The Funds have promoted local and sub-regional partnerships and strategy development, although their role in stimulating partnership working appears to be reducing over time.
- The programming approach has contributed to local, regional and sector capacity building in some areas, although there is limited evidence of a contemporary

¹²⁸ ECOTEC (2003) *Mid-Term Evaluation of South East of England Objective 2 Programme 2000-2006*

¹²⁹ ECOTEC (2003) *Mid-Term Evaluation of South West of England Objective 2 Programme 2000-2006*

¹³⁰ Ibid.

effect.

- The partnership principle allows for a wider variety of organisations to get involved in regional and sub-regional development and helps to create local ownership. However, partnership is very much now ‘part of the architecture’ in regional development so the Structural Funds may no longer offer significant added value in this area.
- Some stakeholders perceive that Structural Funds offer a funding vehicle for voluntary and community organisations (although heavy auditing and application requirements are particularly difficult for these groups to bear).
- Programme and project administration attracts much criticism; it is seen by many as burdensome and costly. It is unclear from the literature as to whether this is entirely a feature of the Structural Fund requirements or the manner in which the Structural Funds are implemented in the UK. The perceived administrative and bureaucratic requirements are reportedly dissuading some potential applicants.

Certain elements of the Structural Funds monitoring and evaluation procedures have been beneficial and there have been lessons for domestic practice, however again, the administrative burden is generally seen as overly complicated.

7.0 POLITICAL EFFECTS OF THE STRUCTURAL FUNDS

Ultimately, one benefit of the funding provided through the Structural Fund programmes is potentially that it highlights the benefits of EU membership in a means recognisable to the ‘man on the street’.¹³¹ Local management models typically promoted by the Community Initiatives (such as LEADER’s Local Action Groups) but also in Community Economic Development elements of the mainstream programmes may have created a greater sense of local visibility and ownership over projects and economic development.

Evidence from the public opinion survey undertaken by BMRB Access Omnibus Research for the Department suggests that there is some truth in the suggestion that the Structural Funds do raise awareness of the EU. However, the link to whether this translates into a positive perception of the Union is more tenuous.

Almost a third of those questioned in the Survey are aware that the EU funds regional development and employment initiatives in the UK (Table 7.1). Awareness is highest in those areas that benefit from Objective 1 funding and lowest in those areas that receive neither Objective 1 nor Objective 2 funds.

Table 7.1: Total awareness of regional development funding and employment by Objective*

Base: All adults 15+ in GB and Northern Ireland

	Total	Objective 1/2/3		
		Obj. 1	Obj. 2	Obj. 3
Unweighted base	(2112)	(188)	(658)	(1188)
Weighted base	(2112)	(159)	(652)	(1229)
	%	%	%	%
Central Government	77	65	77	80
Local Government	58	48	59	59
Regional Development Agency	35	32	35	35
European Union	31	37	33	30
Private Sector	27	23	26	29
Charity	24	28	22	26
Welsh Assembly	14	30	12	13
Scottish Executive	12	2	17	12

- Only responses mentioned by over 10% of respondents are included in this table

Source: BMRB, 2003

Interestingly, almost a quarter of those in Objective 1 areas were able to spontaneously refer to the EU as a source of such funds. As the BMRB work highlights, there is a relationship between the level of investment received from the EU and spontaneous awareness.

¹³¹ DTI, ODPM & Treasury (2003) A modern regional policy for the UK, p.19

Table 7.2: Spontaneous awareness of regional development funding and employment by Objective*

Base: All adults 15+ in GB and Northern Ireland

	Total	Objective 1/2/3		
		Obj. 1	Obj. 2	Obj. 3
Unweighted base	(2112)	(188)	(658)	(1188)
Weighted base	(2112)	(159)	(652)	(1229)
	%	%	%	%
Central Government	63	51	60	67
Local Government	28	27	25	30
European Union	14	25	13	13

* Only responses mentioned by over 10% of respondents are included in this table

Source: BMRB , 2003

As Table 7.3 illustrates, the highest levels of spontaneous awareness were registered in Yorkshire and Humberside (19%), the North West (19%) and the North (18%). Spontaneous awareness was lowest in the South West (10%) and East Anglia (7%). Overall awareness was also highest in the North West (41%) and also in Wales (38%). Areas where total awareness is significantly lower includes the South East (29%), the East Midlands (29%), London (27%) and Scotland (26%). East Anglia remains the area where recognition is lowest (25%).

Table 7.3: Awareness of European Union regional development funding and employment by Objective and Region

Weighted base in brackets	Spont	Awareness	
			Total
	%	%	%
Objective 1 (159)	25	12	37
Objective 2 (652)	13	20	33
Objective 3 (1229)	13	17	30
North West (229)	19	21	41
Wales (107)	17	21	38
North (114)	18	16	34
South West (174)	10	22	32

West Midlands (193)	13	19	32
Yorkshire and Humberside (181)	19	14	32
Northern Ireland (57)	8	22	29
South East (396)	12	18	29
East Midlands (148)	12	17	29
London (252)	13	13	27
Scotland (185)	10	16	26
East Anglia (77)	7	18	25

Source: BMRB , 2003

Awareness of EU funding for regional development and employment initiatives was highest among those in social grade AB (49%). In contrast, only 22% of those in Grades D and E are aware, rising to 31% of those in social grade C1. Awareness also peaks among those aged 45 to 64 (41%). It is lowest among those aged 15 to 24 (16%). 28% of other adults are aware of EU funding.

Crucially, awareness of EU funds for regional development is greatest among those who feel that the UK benefits from its membership of the EU (Table 7.4). 42% of those who feel that membership of the Union is beneficial were aware of the Structural Funds, compared to 26% who feel that the UK is hindered in its membership of the EU. Again, there is a direct relationship between the level of funds received and awareness, with a higher positive response in Objective 1 eligible areas (56%) compared to Objective 2 eligible areas (46%) and Objective 3 eligible areas (39%).

It is difficult to interpret this result, however, as a lower proportion of those surveyed in Objective 1 eligible areas reported that the UK benefits from its membership of the EU compared to other parts of the UK. Elsewhere there is a remarkably strong consistency of views, evenly split between those believing that the UK benefits and those who believe that the UK is hindered by membership.

Table 7.4: Whether the UK benefits from or is hindered by membership of the European Union by Objective

Base: All adults 15+ in GB and Northern Ireland

	Total	Objective 1/2/3		
		Obj. 1	Obj. 2	Obj. 3
Unweighted base	(2112)	(188)	(658)	(1188)
Weighted base	(2112)	(159)	(652)	(1229)
	%	%	%	%
Benefits	42	33	42	43
Is Hindered	43	42	43	43

Source: BMRB , 2003

A largely intangible but nonetheless important benefit ascribed to the Structural Funds is the positive morale or ‘feel good factor’ that the programmes often bring to their target area or community, often as a result of enhanced local participation and improved opportunities.¹³² The evidence for this is weak in practice. The mid-term evaluations do not make any reference to this possibility, and the public opinion survey undertaken was not sufficiently detailed to make any clear assessment on this point.

In practice the provision of regional development funds does appear to have an influence on the reasons why respondents felt that membership of the EU is a benefit to the UK, although it is certainly not the strongest reason (Table 7.5).

¹³² House of Lords (1997) *Reducing Disparities within the European Union: The Effectiveness of the Structural and Cohesion Funds*, para. 75

8.0 OVERALL ASSESSMENT

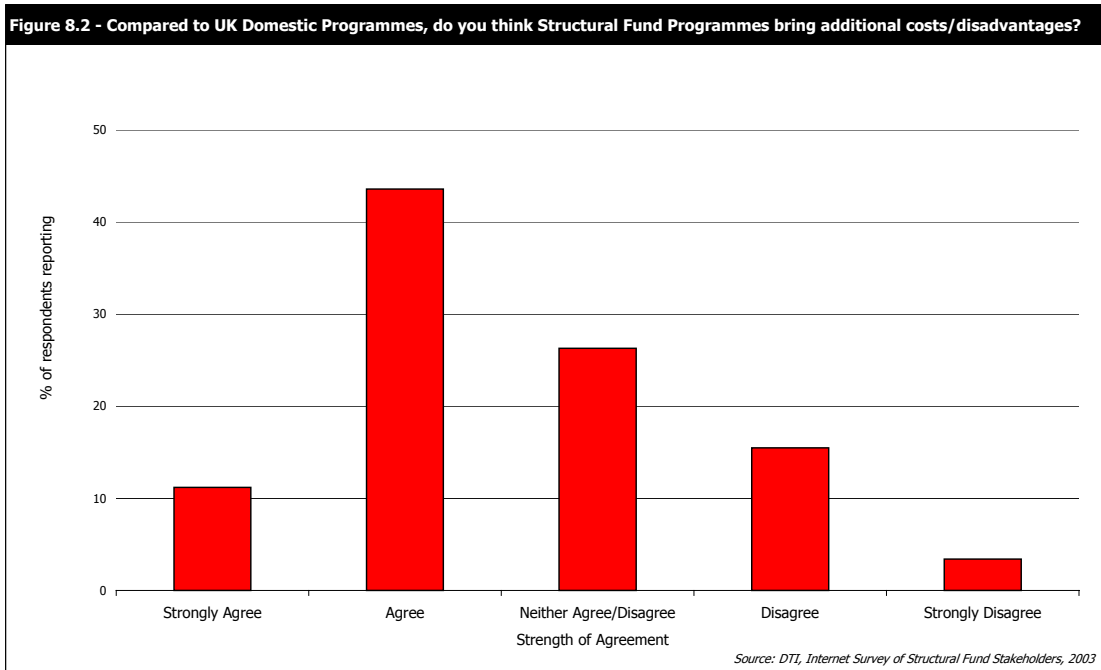
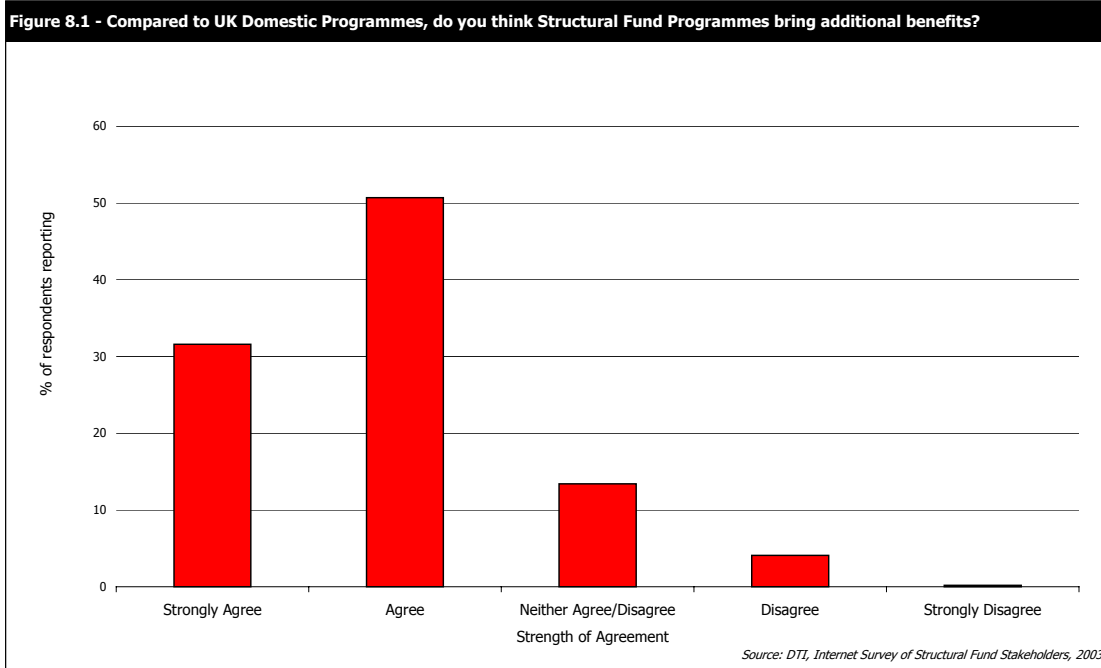
The question as to whether the Structural Funds bring added value to existing domestic policy initiatives, and if so where this occurs, is increasingly being considered. This study has examined the following three aspects of this question, using a variety of sources:

- Do the Structural Funds add value compared to domestic initiatives, and in what ways?
- What additional costs are associated with the Structural Funds?
- What specific elements of Structural Fund design account for these costs or the added value?

The study has been hampered by the paucity of explicit evidence on the added value of the Structural Funds. Indeed, the Internet Survey undertaken for this study is one of the first attempts to examine this question directly. Nevertheless, through triangulation of evidence from different sources the study has been able to draw strong conclusions in a number of areas, whilst highlighting areas for further study where the evidence base is less strong.

Overall, the Internet Survey suggests that the Structural Funds do add value to domestic economic regeneration and employment initiatives but that they also create additional costs. More than 80% of respondents reported that they thought Structural Fund programmes brought additional benefits compared to domestic programmes (Figure 8.1). However, more than half of respondents also felt that Structural Fund programmes brought additional costs or disadvantages (Figure 8.2). On balance though, positive views seem to outweigh negative ones.

It is interesting to note that perceptions on the added value of the Structural Fund implementation process seem to differ depending on where an individual or organisation sits in these processes. For example, while programme managers participating in one mid-term evaluation found that the overall approach was not particularly innovative, project promoters found that they had benefited from new ideas and procedures. To some extent, differences in perspectives and realities need to be borne in mind in the forthcoming analysis. However, the extent to which the literature and the 2000-6 mid-term evaluations differentiate between the views of different participants in the programmes is somewhat limited.



In the following section we summarise the key aspects of where the Structural Funds provide added value in the UK and where additional costs are incurred.

8.1 Policy Effects

There is strong evidence to suggest that the primary policy effect of the Structural Funds is in reinforcing domestic priorities in designated areas. Overall, there is now a high degree of coherence in the strategic policy objectives of the Structural Funds and of domestic policies. This has partly been achieved through UK policy objectives moving more into line with the approaches promoted through the Structural Funds as well as the more thorough integration of the Structural Funds into regional development strategies. One benefit of this is that it has reduced the tension that was sometimes present in the programming process in earlier programming periods. Whilst there remain examples of frustration on the part of regional actors in their attempts to reconcile detailed aspects of domestic policies with Structural Fund programmes, these are now generally the exception. However, arguably as the ‘creative tension’ in the design of programmes has declined, so potentially the scope for Structural Funds to promote policy innovation in some domains also declines.

One area where the Structural Funds may add value is through supporting the uptake of the so called horizontal policy objectives that are championed by the EU. These include, for instance, promoting equal opportunities and sustainable development. The Structural Funds are certainly contributing to the promotion of these European objectives. They are seen to be highly effective at promoting attention to these issues at project level, perhaps more so than domestic initiatives. We consider possible reasons for this later.

Many argue that the Structural Funds, and especially the ERDF, has lost its ‘cutting edge’ and is no longer acting as a strategic driver in regional development. Indeed, the argument is that the Structural Funds now constitute no more than another funding stream which, in its attempts to promote a ‘one size fits all’ approach to regional development, no longer adds significant value.

In the field of social and employment policy the role of the ESF in pioneering bottom-up, individual focused approaches to labour market inclusion has certainly promoted added value and, arguably, contributed to the development of UK policies in this area. At the same time it must be acknowledged that UK policy priorities have had a significant influence on the development of EU policies in this field. A similar mutual learning effect can be identified in other policy domains, such as rural development, regional innovation policies and approaches to community economic development.

From the limited evidence available it appears that it is now the Community Initiatives and Innovative Actions of the Structural Funds where policy effects are most likely to be found. There is some evidence that innovative activities piloted through these initiatives are later being adopted into domestic programmes although not comprehensively. The process of mainstreaming is also reported to be slow. This naturally reduces the added value effect.

There is evidence of some adjustment of local priorities in order to maximise the benefits that can be obtained from the Structural Funds by targeting domestically funded actions on areas that are eligible for support from the Structural Funds. However, this is not a significant effect at the moment, particularly because policy priorities are generally closely matched. In at least one region the Structural Funds have apparently been ‘bent’ to meet local priorities. However, in most cases evaluators have noted that Structural Fund programmes have been designed to assist with the implementation of wider regional strategies, sometimes with joint planning processes. There is clearly no sense of primacy in matching domestic and Structural Fund policy priorities.

8.2 Practice Effects

The most commonly identified effects of the Structural Funds on projects are related to the additional resources. For example, regional partners have reported that the availability of the Structural Funds has encouraged them to ‘think big’. Others have reported that the potential to undertake larger scale sub-regional projects is an advantage over previous experience where a series of similar projects had to be run in different districts. There are a number of examples where projects have been extended in scope or depth, or new complementary activities being adopted, using Structural Fund resources. Whilst this does not necessarily imply an added value of the Structural Funds *per se*, as domestic initiatives could emulate this, it certainly constitutes added value for the moment.

Whilst promoters are generally positive about the effect of the Structural Funds on projects, evaluation evidence, on the whole, does not suggest that projects supported by the Structural Funds are substantially different to those supported by domestic programmes in terms of quality and effectiveness.

Some stakeholders perceive that the Structural Funds are generally promoting innovative projects that could not otherwise be prioritised by domestic programmes. On the whole, this view is not supported by mid-term evaluations. Few examples of genuinely innovative approaches are offered, although the mid-term evaluations of EQUAL and URBAN II indicate that given more time these programmes could contribute to innovations in service delivery. Further work in this area is merited. There is evidence that the programmes are contributing to the transfer of good practice and this can be considered as an area of added value.

Another area where further research is required is understanding why the Structural Funds are claimed to be better able than domestic initiatives to encourage projects to deliver key policy themes, such as equal opportunities and sustainable development. We consider this further below, but at present there is insufficient evidence to make strong statements in this area.

Overall, the greatest impact that the Structural Funds are having on practice is through providing regional and local actors with the flexibility to address issues that domestic policies are less actively supporting or where local gaps in provision have been identified.

The Structural Funds are also seen to play a role in supporting partnership based approaches to project implementation and in providing a platform for networking and sharing information on good practice approaches. Arguably, this is not unique to the Structural Funds but it is seen as an area of added value. One area where domestic initiatives would have more difficulty emulating the Structural Funds is the trans-national networking of the Community Initiatives and Innovative Actions. Such projects offer an opportunity to develop networks beyond the UK for the transfer of knowledge and learning opportunities. In the context of the current development of Regeneration Centres of Excellence and regional observatories, and in the context of promoting regional learning, this appears to be a potential area of added value for the UK that is largely untapped at present. Unfortunately, the lack of evaluative material on the current Community Initiatives has restricted our opportunity to explore this further.

Whilst there is evidence that projects are gaining from the Structural Funds, it is unclear how this influences the added value of the Structural Funds to the UK as a whole. What is clear is that organisations are adept at bringing together funds from different sources to support their organisational aims and objectives and at adapting these aims where necessary to better fit funding requirements. This adaptation is an area where added value might be captured but further work at a project level is required to explore this.

However, some have reported that the Structural Funds' restrictions on eligibility are a constraint to supporting local investment priorities. Some of the sources that inform this work have criticised the inability to support applied to retail and housing investment. The complexity of State Aid rules and other eligibility requirements are also causing frustration.

8.3 Funding Effects

Considered narrowly, the funding effects of the Structural Funds do not seem to constitute a significant level of added value. The Funds certainly make available a greater amount of resources to programme areas. This is translated into more projects, often occurring at an earlier point in time, with greater scale and scope than would otherwise have been the case. However, it is not evident that domestic policies could not achieve the same ends with additional resources. Indeed, the nature of the actions supported and the broad conformity of policies reported suggest that the main added value in this area is in the additional funds available.

However, addressed more broadly two effects are very noticeable:

- The identification of significant areas or regions as requiring specific assistance, particularly through Objective 1 of the Structural Funds, has influenced the overall approach to the regeneration of these areas. It is not clear that similar mechanisms exist through domestic policies. Whether RDA strategies in England or devolved administrations would focus resources in quite the same manner remains to be tested.
- Where new programmes are announced, there is an immediate catalyst effect which does not seem to be the case for existing programme areas. Indeed, in relation to existing programme areas there seem to be more complaints associated with the extent of the area identified; several sources report that programme areas do not form natural areas.

The multi-annual funding profile does not appear to add a significant amount of added value in terms of enabling long term planning. This is partly because projects report that the annual funding arrangements of other sources of finance do not enable them to take sufficient advantage of this.

The Internet Survey, and some mid-term evaluations, point to positive views on the role of the Structural Funds for leveraging funds from the private, voluntary and community sectors. Positive views were expressed frequently in the context of Objective 1 programme areas, where some actors perceive that the availability of European monies has mobilised both effort and resources. It seems likely that there has been a positive effect but available evidence indicates that levered funds are primarily from local and regional sources rather than national ones. The degree of financial leverage, where it occurs, and the extent to which funds are being drawn into particular regions, if at all, is impossible to determine on the basis of available evidence.

However, the Structural Funds do perhaps add a further dimension that is often overlooked, in so far as they bring an additional party to the table, acting to spread risk and support a wider range of activities. This can also support a range of organisations that find it difficult to access funds from other sources. The voluntary and community sectors value the contribution that the Structural Funds make to facilitating their involvement in responding to strategic development issues, despite the undoubted complexities of applying for and administering these funds. In so far as the Structural Funds provide funding to voluntary and community sector organisations to deliver actions that would not otherwise occur, a degree of added value is present.

8.4 Management and Administration Effects

The multi-annual programming approach of the Structural Funds, based on principles of partnership, is often held up as one of the primary areas of added value. This is broadly supported by the research undertaken for this study.

Programmes set out costed priorities over time (currently 7 years). This provides a transparent strategy, and an underpinning financial plan, requiring common agreement. Whilst such an approach is not unique to the Structural Funds (it is a common feature of many local area-based programmes and some regions are seeking to better co-ordinate public sector budgets), it remains relatively unusual for domestic regional strategies. Intuitively this would appear to have a wider benefit and should 'add value'. However, this is an area that receives limited assessment in the evaluation literature.

Overall, the strategic approach that is adopted in the programming process, bringing together both geographic and thematic groupings to agree priorities, is seen as being helpful, with positive effects of the quality of needs assessment and strategy. This also incurs costs since the programming process is seen as a complex and time-consuming process and many question its ultimate value. This is because some of the sources reviewed in this study have suggested that once the funds have been allocated to priorities and measures, the programming documents lose their relevance. Others have argued that programmes are also inflexible and are unable to respond sufficiently to shocks and changing regional conditions. However, there is no evidence from the mid-term evaluations that this is a significant issue.

For many, the previous approaches pioneered by the Structural Funds, in particular the multi-agency partnership approach, are increasingly embedded in policy and strategy development. There is evidence that the operation of the Structural Funds has improved the capacity for undertaking actions at a regional level. However, if this was the case then the effect has perhaps run its course due to the emergence of domestic regional partnership mechanisms. In the absence of the Structural Funds it is believed that strategic partnership working generated would continue; if alternative funding streams continued to require it.

The programme implementation procedures have been described as one area where added value might be found. This does not seem to be clearly the case in the UK where the management and administration of the Structural Funds are widely described as a burden despite efforts to streamline some aspects. Monitoring and audit requirements have been described as particularly onerous, whilst other costs include complex legal requirements, delays in approval decisions and payments as well as time-consuming processes. Arguably this is a reason for the poor engagement of the private sector in the Structural Funds.

Whether the advantages of the procedures are the worth the costs is a point that is not often considered. Certainly, several voluntary and community organisations have reported that the cost of administrative processes is a 'price worth paying'. Others have reported benefits in that the Structural Funds are more 'transparent' than domestic initiatives. More importantly, there are suggestions that the rigorous project selection procedures are one reason why the Structural Funds have been reported as better at targeting priorities like equal opportunities than many domestic programmes, demonstrating the complex trade-offs that may exist here. Yet, despite the rigour of

the project appraisal process there is no clear evidence that this has resulted in better quality and more effective projects offering better value for money. Again this is an area where the evidence base is conflicting and further work may be desirable.

The monitoring and audit procedures required by UK programmes are the main source of criticism of the Structural Funds, it is fair to say that they are not all the result of EU requirements. The UK Government determines many of the procedures.

An area where administration procedures appear to be particularly onerous is in the field of trans-national working. Several evaluations and respondents have reported that administrative costs are high, although again some of the problems appear to be ones of co-ordination. A key issue reported is the differential approval procedures operated by Member States. This means that whilst some partners in a project may get approval others do not.

Supporting the development of an evaluation culture is one area where the EU hopes Structural Funds add value. However, there are costs involved and some perceive that the indicators used to assess performance are excessive. There is no evidence that the evaluation requirements of the Structural Funds have a significant effect on evaluation practices in the UK more generally.

8.5 Political Effects

One area where the Structural Funds is sometimes claimed to add value is in highlighting the benefits of membership of the EU. The research undertaken as part of this study suggests that this is not the case. Awareness of the Structural Funds is certainly greater in those areas where funding is highest. Awareness is also highest among those that feel the UK benefits from membership of the EU. It is, however, difficult to argue that there is a causal relationship between these perceptions and the receipt of Structural Funds. Awareness of the EU appears to be due as much to interest in this subject as the effects of the Structural Funds, although for some it was a benefit of membership.

It appears that the Structural Funds are seen more as a negative element of the UK's membership of the EU. People cited the diversion of money from the UK to poorer parts of the Union as one of the disadvantages of membership. In this respect it is important to recognise that the Structural Funds are applied across the EU and not just in the UK. .

8.6 The Added Value Contribution of the Structural Funds

Analysis of the operation of the Structural Funds can identify a number of areas where good practice is present. Not all of these, though, amount to an added value effect of the Structural Funds. In the following we draw on the material available to suggest

those aspects of the Structural Funds that might contribute to the achievement of added value. This is an initial assessment and further work in this area is merited.

The act of designating an area as eligible for Structural Fund support appears to have a catalytic effect on actors in the area. This, coupled with the programming approach, tends to bring forward additional funds and a more integrated approach to the development of the area in question. There is no evidence to suggest that this effect is maintained over successive programme periods.

The broad regional approach of the Structural Funds has encouraged projects that are larger in scope and scale than is often the case under domestic policy initiatives. This is particularly so for projects operated at a sub-regional level. There is no reason why this should be unique to the Structural Funds, but it is one area where added value is reported at present. The broad area focus of Objectives 1 and 2 has also supported the development of sub-regional strategy approaches. Again this need not be unique to the Structural Funds, but the scale at which they operate is an important feature in this aspect of added value. Paradoxically, moves to reduce the area eligible for support from the Structural Funds, or to increase it by removing area-based targeting entirely, could both reduce the relevance of this element of the Structural Funds' added value.

The programming process is certainly a strong feature of the Structural Funds. However, the extent to which it currently provides added value is not clear from the evidence available. The adoption of Regional Economic Strategies in England, and strategies such as a Winning Wales, have arguably reduced the added value of the programme documents themselves, although this was formerly an important element. However, it is fair to say that these strategies do not include costed priorities in the same way as Structural Fund programmes do.

The act of developing a common programme with costed priorities does appear to promote closer working between a range of organisations, although how far this then continues in practice is not certain. The common inclusion of a range of bodies such as environmental and equal opportunities organisations is believed to influence these dimensions of the programmes in a positive manner, contributing to the relatively strong coverage of these issues.

The reasons why projects funded through the Structural Funds are claimed to be stronger at promoting actions in support of objectives such as equal opportunities and sustainable development are not fully known. However, the rigorous selection criteria that are applied to Structural Fund applications are believed to play some role in this. All projects are expected to consider their contribution to these common policy objectives and, in some programmes, projects that do not achieve a minimum score against these will progress no further, regardless of the nature of the project. Whilst the appraisal and selection processes are criticised for their complexity, they do seem to encourage stronger consideration of these policy themes.

One manner in which the Structural Funds are able to promote innovative actions or approaches is through the focus of particular programmes, introducing an idea that is new to the UK or not currently supported in the same manner. An example of this might be the series of programmes supporting innovation and technology transfer strategies, and supporting actions, between 1994 and 1999. A second way is through the types of actions that will or will not be supported through the mainstream programmes. An example often held up is the promotion of a particular approach to community economic development in the Merseyside Objective 1 programme (1994-99). This importing of new ideas into the UK is one area where added value can be discerned, in that it encourages new ways of thinking. Insofar as new approaches are forced on areas, this might be seen as a cost.

Whilst available evidence does not permit firm conclusions on the scale and nature of innovation currently being achieved in practice through Structural Fund interventions. There is evidence that the Community Initiatives, in particular, have contributed to testing new ways of tackling regional and labour market development issues and continue to offer potential in this area. Whilst there is less robust evidence of pure innovation in the mainstream programmes, the Community Initiatives do appear to be contributing to the transfer of good practice. The majority of respondents to the Internet Survey felt that the Structural Funds have advantages compared with domestic programmes in terms of their contribution to innovation.

It has been reported that the Structural Funds enable certain project activities to be funded that would not be possible through domestic initiatives. This has led to some projects being extended to include groups that are not eligible under domestic programmes, or to support the development of some infrastructure projects, such as business incubators. We do not feel that these actions are unique to the Structural Funds, nor that domestic initiatives could not finance these if they so wished. Consequently, we do not report them as added value here, although we note that domestic initiatives are not funding these activities in the particular circumstances reported.

The trans-national dimension of some Structural Fund activities is clearly a source of some added value. This should, however, not be over-stated, comprising a small part of the Structural Funds overall. In essence this enables a strong learning effect to be incorporated into individual projects, encouraging the exchange of experience and practice. The learning opportunities offered by the Structural Funds, whether from comparative experience elsewhere in the UK or from the EU, is an area where there does not appear to have been as much gained as would seem possible. Knowledge exchange seems to be happening in the best cases, and often through individual initiatives such as IQ-Net, rather than in most cases.

From the various sources used for this study it seems that different elements of the Structural Funds provide added value in different ways. It also seems that there is an increasing distinction between the mainstream programmes (Objectives 1, 2 and 3),

the Community Initiatives and the Innovative Actions. The amount of evidence available prevents a definitive statement but it seems that:

- Currently the mainstream funds are largely supporting traditional regeneration approaches. Except in newly designated areas, this largely promotes additional funding into an area, although it has enabled the development of sub-regional approaches and strong partnership working.
- The Community Initiatives have moved away from supporting relatively traditional regeneration activities (as represented by RECHAR for example) and are rather focusing on promoting more innovative approaches to common problems. This could have strong policy effects, although mainstreaming is slow. The trans-national dimension to the Community Initiatives encourages project-level learning effects, but it is not clear how much further this extends.
- The Innovative Actions are promoting new and innovative approaches across Europe. In the best cases, actions supported in the period 1994-99 have formed a central theme in new regional development strategies in the UK. Others though have had less impressive futures. There is little information on which to base a judgement of the current round of Innovative Actions.

In conclusion, most aspects of the added value that the Structural Funds bring to the UK can, potentially, be replicated by domestic initiatives. Whether they would be in the absence of the impetus provided by the Structural Funds is a different question. One aspect cannot be replicated so easily though, and is also the most difficult to capture. It seems that one of the real areas of added value offered by the Structural Funds is the semi-independent status of the European Commission and the Structural Funds in regional development. Whilst it would be wrong to overstate this role, it does seem to be important for bringing together different parties in agreeing common programmes and investment priorities and in translating this into practice.

Annex 1

FRAMEWORK FOR THE EVALUATION OF THE ADDED VALUE AND COSTS OF THE STRUCTURAL FUNDS IN THE UK

	Evidence of Added-Value/Positive Effect of Structural Funds compared to Domestic Programmes		Evidence of Costs/Negative Effect of Structural Funds compared to Domestic Programmes	
	Effect	Contributing factors (why, how)	Effect	Contributing factors (why, how)
CRITERIA RELATING TO THE ACHIEVEMENT OF DOMESTIC PRIORITIES				
1. National policy objectives				
2. PSA targets				
3. Priorities of regional strategies				
CRITERIA RELATED TO THE ACHIEVEMENT OF COMMUNITY PRIORITIES				
1. Economic and Social Cohesion <ul style="list-style-type: none"> - Additional economic growth - Increase in the level of investment in region/field concerned - Productivity gains - Greater economic integration/re-distributive effect 2. Community priorities <ul style="list-style-type: none"> - Increased emphasis on infrastructure provision, particularly trans-european networks - ICT - Waste management - Accessibility of peripheral regions 3. Increased emphasis on regional competitiveness <ul style="list-style-type: none"> - Creating employment in R&D 				

	Evidence of Added-Value/Positive Effect of Structural Funds compared to Domestic Programmes		Evidence of Costs/Negative Effect of Structural Funds compared to Domestic Programmes	
	Effect	Contributing factors (why, how)	Effect	Contributing factors (why, how)
<ul style="list-style-type: none"> - Employment creation in local economic initiatives - Increased emphasis on human resources development - Improving employability - Reducing long term unemployment - Decreasing employment rates for disadvantaged groups <p>4. Increased emphasis on environmentally sustainable development</p> <ul style="list-style-type: none"> - Compliance with environmental standards - Improved attention to balanced forms of development <p>5. Increased emphasis on equal opportunities</p>				
FINANCIAL CRITERIA				
1. Additionality of funding				
2. Leverage of domestic resources to support economic development: <ul style="list-style-type: none"> - Public - Private - Voluntary/community 				
3. The certainty/longevity of funding cycles				
4. Flexibility of funds in responding to identified needs: E.g. support for areas/activities not supported by domestic funds or which would not have been a priority, allowing a ‘rapid response’ to emerging issues				

	Evidence of Added-Value/Positive Effect of Structural Funds compared to Domestic Programmes		Evidence of Costs/Negative Effect of Structural Funds compared to Domestic Programmes	
	Effect	Contributing factors (why, how)	Effect	Contributing factors (why, how)
CRITERIA RELATED TO STRUCTURAL FUND IMPLEMENTATION METHODS				
1. APPROACH TO PROGRAMMING <ul style="list-style-type: none"> - Identification of needs - Identification of opportunity - Strategy development - Resource prioritisation - Multi-annual funding cycle - Integration between EU and national priorities - Integrating national and regional policies - Providing a framework for coherent and joined up-approaches 				
2. Partnership approach <ul style="list-style-type: none"> - Engagement of stakeholders in strategy development process - Widening involvement in project delivery - The capacity of regional institutions and others to lead and engage in economic development process 				
3. Nature of projects <ul style="list-style-type: none"> - Efficiency/speed of project selection process - Effectiveness of project appraisal mechanisms - Quality of projects supported including intensity of support, specialist approaches tailored/customised approaches 				

	Evidence of Added-Value/Positive Effect of Structural Funds compared to Domestic Programmes		Evidence of Costs/Negative Effect of Structural Funds compared to Domestic Programmes	
	Effect	Contributing factors (why, how)	Effect	Contributing factors (why, how)
<ul style="list-style-type: none"> - Scale of projects - Viability of projects - Coverage of projects - Targeting of projects 				
4. Innovative and pilot actions				
5. Co-operative approaches to economic development: <ul style="list-style-type: none"> - Trans-national working - Cross-regional working - Co-operation with non-member states 				
6. Networking <ul style="list-style-type: none"> - Exchange of information and good practice - Mainstreaming good practice 				
7. Audit systems				
8. Approach to monitoring systems				
9. Approach to evaluation				
CRITERIA RELATING TO THE OUTPUTS OF INTERVENTIONS				
1. Scale of outputs				
2. Quality of outputs				
3. Concentration of outputs in areas/fields of greatest need				
4. Efficiency/value for money				

	Evidence of Added-Value/Positive Effect of Structural Funds compared to Domestic Programmes		Evidence of Costs/Negative Effect of Structural Funds compared to Domestic Programmes	
	Effect	Contributing factors (why, how)	Effect	Contributing factors (why, how)
CRITERIA RELATING TO THE RESULTS OF INTERVENTIONS				
1. Scale of positive outcomes				
2. Quality of positive outcomes <ul style="list-style-type: none"> - Addressing areas/individuals in greatest need - Sustainability of outcomes 				
3. Appropriateness of positive outcomes to identified regional, national/European community policy priorities				
CRITERIA RELATING TO THE IMPACT OF INTERVENTIONS				
1. Additionality				
2. Sustainability				
3. Cost effectiveness				

Annex 2

Coverage of the Findings of Mid –Term Evaluations of 2000-06 Programmes

England

Cornwall and Isles of Scilly Objective 1 Programme 2000-06
East Midlands Objective 2 Programme 2000-06
East of England Objective 2 Programme 2000-06
London Objective 2 Programme 2000-06
Merseyside Objective 1 Programme 2000-06
North East of England Objective 2 Programme 2000-06
North West England Objective 2 Programme 2000-06
South East of England Objective 2 Programme 2000-06
South West of England Objective 2 Programme 2000-06
South Yorkshire Objective 1 and Objective 2 Programmes 2000-06
West Midlands Objective 2 Programme 2000-06
Yorkshire and Humber Objective 1 and Objective 2 Programmes 2000-06
England Objective 3 Programme 2000-06 - Local Impact Thematic Evaluation
England Objective 3 Programme 2000-06 - ICT Thematic Evaluation
England Objective 3 Programme 2000-06 - Equal Opportunities Thematic Evaluation
Urban II
Highlands and Islands Special Programme 2000-06

Wales

Objective 3 Operational Programme for East Wales 2000-06
Objective 1 Programme for West Wales and the Valleys 2000-06

Northern Ireland

BSP 2000-2006 Operational Programme
Peace II

Scotland

East of Scotland Objective 2 Programme 2000-06
Highlands and Islands Special Transitional Programme
Scotland Objective 3 Programme 2000-06
South Scotland Objective 2 Programme 2000-06
West Scotland Objective 2 Programme 2000-06

UK

UK/GB EQUAL Community Initiative 2000 – 2006

