



Council of the
European Union

Brussels, 25 July 2014
(OR. en)

12198/14
ADD 20

FSTR 40
FC 25
REGIO 84
SOC 576
FIN 512

COVER NOTE

From: Secretary-General of the European Commission,
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 23 July 2014

To: Mr Uwe CORSEPIUS, Secretary-General of the Council of the European
Union

No. Cion doc.: SWD(2014) 242 final - PART 20/23

Subject: COMMISSION STAFF WORKING DOCUMENT Accompanying the
document COMMUNICATION FROM THE COMMISSION Sixth report on
economic, social and territorial cohesion: Investing in Europe's Future

Delegations will find attached document SWD(2014) 242 final - PART 20/23.

Encl.: SWD(2014) 242 final - PART 20/23



Brussels, 23.7.2014
SWD(2014) 242 final

PART 20/23

COMMISSION STAFF WORKING DOCUMENT
Accompanying the document

COMMUNICATION FROM THE COMMISSION

Sixth report on economic, social and territorial cohesion: Investing in Europe's Future

{COM(2014) 473 final}

Chapter 7 Impact of Cohesion Policy

1. INTRODUCTION

A number of sources provide information on the effect of Cohesion Policy on the objectives of the programmes which it co-finances. These give an indication of the extent to which Cohesion Policy is successful in achieving these objectives as well as the broader policy goals of strengthening the capacity of national and regional economies for sustainable development and furthering economic, social and territorial cohesion.

In the first place, there is quantitative information on the direct outcomes of the projects and measures supported from the physical indicators which are monitored by Managing Authorities responsible for the programmes. The indicators are usually in the form either of the output produced (such as the number of new businesses helped to start up, the length of road or railway constructed or the number of people trained) or the results which they have given rise to (such as the time or travel costs saved as a consequence of a new city ring-road being opened, the number of people connected to main drainage and an effective system for treating wastewater or the number of people trained who succeed in getting jobs).

Secondly, there is the evidence from evaluations of particular programmes or interventions in particular policy areas (such as support for enterprise development or RTDI) which are aimed at assessing the effectiveness of the funding provided in achieving both the immediate objective of the measure (such as increasing the investment of the companies supported or their expenditure on R&D) and the wider aim of strengthening the development potential of the places concerned (such as through increasing the competitiveness of the businesses located there or the skills of the work force).

Thirdly, there is the evidence from macroeconomic models which attempt to capture the way that economies function in order to estimate the effect of Cohesion Policy, and the programmes it supports, on the main economic variables, in particular, on GDP, employment and trade performance. This they do essentially by simulating the way the economy would have developed (or is likely to develop in the future) in the absence of Cohesion Policy which can then be compared with the way that it actually developed (or is projected to develop). To do so requires incorporating in the model the evidence from evaluations and other studies on both the immediate and wider effects of policy interventions on company investment, RTDI, the skills and productivity of the labour force as well as of businesses, the reduction in transport costs from the new roads, railways and other infrastructure built and so on.

Last but not least, there are smaller independent research studies which mostly use econometric techniques to assess the overall effects of Cohesion Policy on regional developments.

All four sources are important for assessing the overall impact of Cohesion Policy on its objectives. The sections below summarise the available evidence in these four areas. The focus is on the last programming period, 2007-2013, though evidence is also referred to from earlier years, not least because the 2007-2013 period does not formally finish until the end of 2015 and programmes are still underway. More fundamentally, many of the projects supported are long-term ones intended to affect the structure of economies, to

change the way that businesses operate and individuals behave and perform and to strengthen the capacity to sustain growth. Accordingly, the observable effects in terms of an improvement in economic performance will materialise only after a number of years and the data to detect them will come available even later.

2. THE RESULTS OF PROGRAMMES IN 2007-2013

This section provides an overview of the results reported by Cohesion Policy programmes in their annual implementation reports. The first section covers the ERDF and Cohesion Fund, the second the ESF.

2.1. The European Regional Development Fund and Cohesion Fund

As noted above, the programmes co-financed under Cohesion policy in the 2007-2013 period are still underway and many projects are still to be completed. Nevertheless, it is possible to identify the outcomes up to the end of 2012 (the 6th year of the period and the latest date for which data are available) from the support provided by the ERDF and Cohesion Fund on the basis of the physical indicators of the output and results of the expenditure undertaken which are maintained by Managing Authorities. The data that they have reported is summarising below, focusing on the core indicators which are intended to be comparable across programmes so that the data can be aggregated both at the national and EU level.

2.1.1. Gross jobs directly created

The data reported on programmes indicate that up to the end of 2012, when in most countries half or less of the funding available for the period had been spent, some 593,954 jobs had been directly created across the EU by ERDF co-financed interventions. This represents 43% of the target set at the beginning of the period, suggesting that by the end of 2015 there might be close to 1.4 million new jobs as a direct result of ERDF support. Many these jobs were created – some 320, 000 overall – in the less developed (Convergence) regions where there is a particular need for employment, and where, if the targets are met, the figure could reach 900,000 by the end of 2015.

These figures, it should be emphasised relate to gross jobs – i.e. they do not take account of any jobs displaced – and essentially refer to the additional number of people employed in the projects supported, or in most cases, in the enterprises receiving support. Many of these jobs might well have been created in the absence of support, in the sense that, for example, companies might have gone ahead with their investment plans even if they had not received public funding, though perhaps on a smaller scale with a smaller work force. Nevertheless, a substantial number of the additional jobs almost certainly would not have been created without EU support. The evaluation evidence summarised below indicates that this is the case. Moreover, the figures do not include jobs indirectly created as a result of the projects undertaken and the improvements in competitiveness which they give rise to, which, as the macroeconomic models show, are likely to materialise in the longer-run.

2.1.2. Enterprise support

A large number of the jobs created were in SMEs which received a major proportion of the support provided, in the main to improve their efficiency through helping them to invest in new machinery and equipment or to develop new products. In total across the EU, some 200,000 projects to support investment in SMEs were undertaken up to the end of 2012. In addition, almost 78,000 new firms across the EU were helped to start up by the financial assistance received from the ERDF as well as by the advice and guidance provided by business support centres also funded by the ERDF (see Box for specific examples of the measures supported).

An increasing amount of the support provided was in the form of financial (engineering) instruments, such as loans, interest-rate subsidies or venture capital, which have the advantage of helping firms overcome constraints on borrowing while being repayable (and perhaps even yielding a rate of return), so potentially enabling the funding going into them to be used multiple times. Because they are repayable, they also give the companies receiving support an added incentive to ensure that the investment concerned is successful.

Box - Examples of enterprise support schemes

Greece: Funding was provided to around 1,300 SMEs under the JEREMIE financial instrument scheme, mainly in the form of loans, so helping them to overcome the tight borrowing limits imposed by the financial market.

Portugal: Up to mid-2013, some 9,458 companies had been supported by business aid schemes co-financed by the ERDF and 952 new businesses had received financial help to start up, 448 of them in high-tech or knowledge intensive sectors.

Belgium: Financial instruments, in the form of risk capital, loan-guarantees, micro credits and 'mixed products', which were co-financed by the ERDF, helped 571 new businesses to start up and 671 firms to expand up to the end of 2012, over 10 times the number assisted by investment grants.

Bulgaria: Under the JEREMIE scheme, some 1,388 SMEs had received low-interest loans by the end of 2012, helping to them to overcome the squeeze on credit in the financial market.

Malta: The First Loan Portfolio Guarantee scheme, co-financed by the ERDF, had provided funding to 533 SMEs by mid-2013, so alleviating their difficulties of borrowing on the financial market.

2.1.3. Support for RTDI

Over 21,600 projects were co-financed up to the end of 2012 to support cooperation between research centres and businesses aimed at ensuring that the R&D undertaken in the former has the best chance of being transformed into new, or improved, products and processes which can enable enterprises to maintain or expand their market share in both the regional and wider market-place.

At the same time, support was provided to some 61,200 RTDI projects, which, together with support for other measures, led to 21,000 research jobs being created, around half of them in less developed regions.

Examples of RTDI projects supported

Spain: 5,839 large projects were co-financed up to the end of 2012 to support the R&D carried out in the public sector, these representing a significant proportion of the projects initiated under the National RTDI Plan.

France: The ERDF provided support to the 71 ‘*Pôles de compétitivité*’ which were set up to bring together clusters of businesses, research laboratories and universities, each specialising in a particular broad sector of activity. According to an evaluation in 2012, they had been responsible up to then for over 2,500 innovations since they were established.

Czech Republic: The ERDF co-financed 53 new Centres for Technology Transfer, Centres of Excellence and Science and Technology Parks.

Slovenia: The ERDF co-financed 8 Centres of Excellence, 7 Competence Centres and 17 Economic Development Centres up to the end of 2012.

Romania: 253 R&D centres were either newly built or modernised with the aid of EU funding.

2.1.4. ICT infrastructure

The ERDF was also used in many parts of the EU to support the use of ICT by SMEs, the introduction digital means of accessing public services and investment in broadband to improve access to the internet, or in some cases to provide access where none existed before. Up to the end of 2012, this investment had led to over 5 million additional people gaining access to broadband, around half of them in less developed regions, so reducing the digital divide which is still relatively wide in a number of countries, especially in the EU-12 and southern EU-15 Member States.

Examples of ICT projects supported

Greece: Almost 730,000 additional people were given access to broadband as a result of ERDF financing, most of them in the Macedonia and Thrace region, which is one of the least developed in the country, so helping to narrow the digital divide.

Spain: Major support from the ERDF was given to computerisation in public administration, education, healthcare and legal services as well as to the spread of ICT in SMEs.

Romania: Projects supported by the ERDF resulted in over 560,000 people using e-Governance, e-Health and e-Learning online systems by the end of 2012.

2.1.5. Transport

Nearly 2,550 km of new roads were constructed by projects co-financed by the ERDF and Cohesion Fund up to the end of 2012, almost all of them in less developed regions in the EU-12 where the road network is most in need of improvement after many decades of neglect. Some 1,200 km of these consisted of motorways which are part of the TEN-T system. In addition, around 17,000 km of existing roads were improved – either widened or turned into dual carriageways, for example – again mostly in the less developed regions, where in many cases, especially in the EU-12, the state of the roads and the limited number of motorways and by-passes around cities lead to heavy congestion and slow journey times. Both forms of investment have led to significant time-savings in many cases as well as improving links between centres of population and economic activity both within countries and between them. The new roads constructed have also in a number of cases taken traffic away from city centres and so reduced pollution as well as congestion and improved the quality of life there.

While relatively few new railway lines were constructed over the period up to the end of 2012, there were significant improvements made to existing lines, through electrification, the installation of modern signalling, conversion of single to dual track and so on. In total up to the end of 2012, 2,369 km of railway lines are reported to have been improved, once more mainly in less developed regions. In addition, through both the construction of new lines and upgrading existing ones, almost 1,500 km was added to the TEN-T rail network, in this case mainly in EU-15 Convergence regions. A number of public transport projects in cities were also supported over the period, perhaps most notably the Sofia metro system in the Bulgarian capital which has led to a significant reduction of congestion in the city.

A large number of other projects designed to improve the transport system, and in some cases, to reduce the damaging effects on the environment, were carried out across the EU up to the end of 2012, in respect, in particular, of urban transport, ports and airports, though their diverse nature makes it difficult to aggregate the outcomes (see Box for a few examples).

Examples of transport projects supported

Portugal: The roads constructed as a result of ERDF and Cohesion Fund support include the last section of the inner ring-road around Lisbon, which carries an average of 50,000 vehicles a day and which has reduced the traffic on the main roads in the capital by 40%, so improving the urban environment.

Bulgaria: EU funding co-financed the construction of the second Metro line in Sofia together with 13 new stations, two on the first line and 11 on the second line. The line has relieved traffic congestion in the city and made it easier to move around it.

Estonia: Improvements in the rail network co-financed by the EU led to a 31% reduction in travel time up to the end of 2012; the aim is to reduce it further, by 45% overall by the end of 2015.

Hungary: EU funding co-financed a section of the M0 motorway around Budapest helping to reduce congestion in the city, while improvements in the rail network led to a 47 minute reduction in the average duration of journeys on TEN-T lines.

Poland: EU funding helped to redevelop and modernise Wroclaw airport with the construction of a new terminal fitted with modern facilities, including an automated luggage control system.

Romania: Some 124 km of new motorway was constructed with EU support up to the end of 2012 and an additional 387 km are expected to be completed by the end of 2015. When finished, a motorway will link the Black Sea Coast and major cities across the country, including Bucharest, Sibiu and Arad, with Hungary and the main cities in Central Europe.

Improving the quality of major project applications

JASPERS (Joint Assistance to Support Projects in European Regions) has made an important contribution to improving the quality of Major Project applications in the EU-12 by helping the Member States concerned prepare projects properly, in a way which demonstrates that the expected benefits outweigh the costs.

The European Investment Bank (EIB) is the largest single co-financer of EU-funded programmes and is actively engaged in administrative capacity building initiatives in a number of countries, including Greece, Bulgaria and Romania.

Special Task Forces were set up in the previous programming period combining Member States, International Financial Institutions, the Commission and other experts to act as a 'fire brigade' for programmes with urgent problems (such as in the southern Italian regions, Bulgaria and Romania). Funds earmarked for technical assistance were used to finance reviews of particular policy areas as well as action for specific projects led by the EIB, the World Bank and the European Bank for Reconstruction and Development. In Romania, a special initiative was launched to improve public procurement procedures, involving DG Regional Policy, DG Internal Market and JASPERS.

2.1.6. Environmental infrastructure

Up to the end of 2012, around 3.3 million people across the EU were provided with an improved supply of drinking water as a result of co-financed projects. These were for the most part in less developed regions (2.7 million of the total), especially in Convergence regions in Spain (where 1.7 million people were connected to an improved supply).

In addition, some 5.5 million people were connected to improved wastewater treatment facilities, mainly through installing main drainage and sewage treatment plants, so helping to protect the environment and strengthening the prospects for sustainable development. These again were mainly in less developed regions in the EU-15, in Spain (where 2.2 million people were connected) and Italy (1.1 million), in particular.

Some 2,126 projects were carried out, with the support of EU funding, to recycle both municipal and industrial waste, to increase waste storage facilities and landfill capacity and to close sub-standard sites, almost all of them in Convergence regions and many in the EU12.

Projects to implement flood prevention measures co-financed by the ERDF resulted in increased protection for around 4.2 million people across the EU in both Convergence and Competitiveness regions.

Examples of environmental infrastructure projects supported

Portugal: Some 239 wastewater treatment plants were constructed up to the end of 2012 with the support of EU funding together with around 1,425 km of main drainage pipelines, serving around 820,000 people, and 640 km of mains water supply, bringing improved drinking water to over 273,000 people.

Italy: Projects co-financed by the ERDF resulted in over 1 million people being connected to improved wastewater treatment facilities, around 13% of the total population in Convergence regions and nearly 40% of that in Sicily and Basilicata where most of the investment was carried out.

Malta: The South Sewage Treatment Plant built with the aid of EU funding, which is capable of treating 80% of the sewage generated on the island, led to the status of coastal waters in the south of the country being raised from Class 3 to Class 1 and to Malta becoming the first Mediterranean country to treat all wastewater before it is discharged into the sea.

Slovakia: EU funding co-financed the construction or modernisation of 89 differentiated waste collection facilities, increasing the amount of waste recovered by 15,699 tons a year.

2.1.7. Renewable energy and increased energy efficiency

A large number of projects (some 29,358 in total) were carried out with ERDF support to increase electricity generating capacity from renewables. Over 80% of these were in less developed regions, though more in the EU-15 than in the EU-12. Altogether they resulting in generating capacity being expanded by 2,431 MW, contributing significantly to the EU-wide target of increasing the energy produced from renewables to 20% by 2020.

In addition, a great many of projects were carried out to increase the energy efficiency of apartment blocks and public buildings especially in the EU-12 countries where both types of building are heavy consumers of energy, partly because of the construction methods used and the decades of neglect during the previous regime.

Examples of energy projects supported

Austria: Projects supported led to generating capacity in 55 plants using biofuels being increased by 89 MW or by 20%, resulting in a potential reduction in greenhouse gas emissions equivalent to the CO₂ produced by around 33,000 cars.

Lithuania: 706 public building had been renovated and their energy efficiency increased by the end of 2012.

Latvia: A great deal of social housing was renovated with a view to improving energy efficiency; overall, an average reduction in heating costs of over 45% was achieved as a result of the work carried out

2.1.8. Tourism, cultural activities, social infrastructure, land reclamation and urban renewal

Projects carried out in other policy areas, in addition to those considered above, cover a range of different types, including those supporting the development and expansion of tourism, local amenities, the cleaning up of contaminated land, especially old industrial sites, the renovation of buildings and urban areas, the construction and modernisation of hospitals, health centres, schools, community centres and other social infrastructure and local amenities. While the projects are

often small in scale, they can have a significant effect in improving the quality of life in local communities as well as contributing to the development of economic activities.

Because of their nature, however, the outcome of the investment carried out is in many cases difficult to capture through physical indicators – such as an improvement in the urban environment or in local amenities or the safe-guarding of cultural traditions or historical monuments, which are important to preserve for future generations as well as present ones (though they also might have the potential to attract tourists). Most of the physical indicators used in practice relate to the number of projects carried out, which, in themselves, of course, convey little about the output or the results of the expenditure concerned.

The main outcomes up to the end of 2012, insofar as they can be identified and aggregated across countries, include:

- Over 8,600 projects co-financed by the ERDF carried out across the EU to support tourism, most of them (around 75%) in Convergence regions in the EU-12, which directly created a reported 11,928 jobs in total.
- The reclamation of some 576 sq. km of polluted land, most of it in Convergence regions and around two-thirds in Hungary, Spain and Italy.
- The co-financing of around 3,800 projects across the EU to expand or to improve healthcare facilities, most of them in Convergence regions.
- The support of some 19,043 projects for investing in education facilities, to build new schools or colleges or to modernise and re-equip existing ones, which were almost entirely in Convergence regions, mainly in the EU-15.

Examples of tourist, cultural, social and educational infrastructure and urban projects supported

Italy: The ERDF co-financed the upgrading of ICT and science facilities in 80% of all primary and secondary schools in Convergence regions in the south of the country.

Portugal: Under the Schools Modernisation Programme, co-financed by the ERDF, some 867 schools and facilities in schools were either newly built or expanded or renovated.

France: A branch of the Louvre museum was opened in Lens, in the Nord-Pas-de-Calais, with ERDF support.

Austria: The ERDF helped to finance the regeneration of around 28,500 square metres of public space in Vienna.

Hungary: Some 136 nurseries and primary and secondary schools housing over 12,000 children were renovated with ERDF support.

Romania: The ERDF co-financed the renovation of much of Alba Iulia in Transylvania, including the citadel, making the city one of the most attractive tourist centres in the region. As a result, the citadel museum recorded an increase in the number of visitors from 21,900 in 2010 to over 45,000 in the first 9 months of 2013 alone.

Slovenia: Some 146 projects were carried out to improve tourist facilities, including the renovation of 20 cultural heritage sites. Although there is not necessarily a causal link, the number of overnight stays increased from 7.6 million in 2007 to 9.5 million in 2012 and over 457,000 people visited the renovated sites.

Slovakia: The ERDF co-financed the expansion and modernisation of healthcare facilities, the number of hospital beds being increased by 2,022 and 664,541 patients being treated in modernised facilities.

2.2. The European Social Fund

2.2.1. Access to employment

ESF support was equivalent to around 20% of total Active Labour Market Policy expenditure in Member States in the 2007-2013 period, ranging from 2% in high income countries to over 100% in low income, 'Convergence' ones.

- ESF supported at least 19.6 million 'participations' (i.e. cases of participation in programmes) aimed at enhancing people's access to employment up to the end of 2012¹, around 3.3 million of whom found a job soon afterwards. In most Member States, the proportions finding a job and those still in it after 6 or 12 months have been close to the targets set.² In addition, over 497,000 cases of people attaining qualifications were reported, while nearly 42,000 people moved into self-employment.

Support was also provided to help people into employment, especially people with disabilities, other disadvantaged groups, ethnic minorities, migrants, women and young people. The crisis made it more difficult in many countries for people to find jobs and remain in them and some programmes were modified as a result.

Up to the end of 2012, over 20 million young people under 25 received support, nearly 30% of the total, though in southern Member States, the proportion was smaller despite large numbers of young people not being in employment, education or training, reflecting the even larger numbers of those aged 25 and over being out of work.

Evaluations³ in 5 Member States (Austria, the Czech Republic, France, Italy and Portugal) indicate that Cohesion Policy programmes strengthened their focus on young people after the crisis hit. All five gave priority to helping those at risk of leaving school early or who had already dropped out of school and four of them (all except Portugal), to young people not in education, employment or training (what are known as NEETs).

¹ ESF Expert Evaluation Network, 2014, *Final Synthesis Report: Main ESF achievements, 2007-2013*, Metis and University of Glasgow

² Although some experts argue that targets were not particularly ambitious, this needs to be balanced against the serious deterioration in the labour market situation in relation to when the targets were set.

³ ESF Expert Evaluation Network, 2013, *Final Synthesis Report on Women and Young People*, Metis and University of Glasgow.

Youth Action Teams

In 2012, the Commission established joint Youth Employment Action Teams in the 8 Member States with the highest levels of youth unemployment. Cohesion Policy funding for the 2007-2013 period, which remained unallocated, was used to increase job opportunities for young people and to facilitate the access of SMEs to finance. Over one million young people are expected to be helped from the EUR 4.2 billion allocated (EUR 1.4 billion of which has already been committed to projects).

From 2009 on, more resources were used to support self-employment and business start-ups and to develop intermediate labour markets, which provide long-term economically inactive with work placements, training and qualifications.

2.2.2. Social inclusion policies

Social inclusion was a more important objective in the 2007-2013 period than previously. The ESF gave support to measures providing ‘pathways to integration’ and the re-entry of disadvantaged groups into the labour market⁴.

Up to the end of 2012, EUR 12.9 billion was invested in social inclusion measures and a further EUR 10.3 billion had been committed to these⁵. Results are available for only a few Member States, but available figures indicate that the number finding employment has been substantial, with over 164,000 reported (though the vast majority of these are in Spain). The number gaining a qualification is also substantial, with nearly 148,000 cases of people gaining qualifications being reported.

Support was also targeted on combating poverty among the most vulnerable groups, such as migrants, ethnic minorities and single mothers, as well as helping in the fight against discrimination⁶. This included assisting the groups concerned to find work, campaigns among the general public to discourage discrimination, diversity seminars for employers and human resource managers and the training of employment agency staff.

In some countries, more than half of funding went to supporting women, such as in Poland (56.5%), though in others, the proportion was much less than half (only 39.5% in the UK). At the extreme, in Spain, it is reported that up to the end of 2011, nearly 888,000 women secured a job after leaving co-financed programmes or 62% of those participating.

Compared to the 2000-2006 period, more funding, EUR 1 billion overall, was allocated to helping migrants and minorities⁷ to find work and another EUR 5 billion to other measures targeted at them. In addition, EUR10 billion was allocated to general measures for disadvantaged groups, including migrants and minorities.

⁴ Final Synthesis Report on Social Inclusion, ESF Expert Evaluation Network, Metis and University of Glasgow, December 2012

⁵ This includes several reporting categories under the ESF relating to social inclusion.

⁶ Evaluation of the European Social Fund’s support to Gender Equality, GHK and FGB, January 2011

⁷ CSES, 2011, *Evaluation of ESF Support for Enhancing Access to the Labour Market and the Social Inclusion of Migrants and Ethnic Minorities*.

Up to the end of 2012, around 6.4 million people in the two groups had participated in ESF funded programmes.

2.2.3. *Support to enhancing human capital*

There were almost 25.9 million participations in ESF-funded measures to increase human capital up to the end of 2012.

In 13 Member States, ESF provided support for the modernisation of education and training⁸, over EUR 8 billion being allocated to the design, introduction and implementation of reforms. Overall, around 10% of total funding (EUR 35 billion) was allocated to education and training, while up to the end of 2010, an estimated 5 million young people, 5.5 million people with low skills, and 576,000 older people participated in co-financed lifelong learning activities⁹. While these figures cannot be added together because of double counting, they give indication of the scale of the numbers involved.

Although the figures vary according to the characteristics of participants and the labour market situation in the country, it is estimated that, on average, 20-35% of participants have entered employment directly after ESF financed training.

Reflecting the focus in some Member States on young people, over 696,000 participants progressed into further education or training on leaving co-financed programmes and over 262,000 cases of people acquiring qualifications were reported. In addition, almost 236,000 participants secured employment and over 60,000 participants moved into self-employment.

2.2.4. *Improving institutional capacity*

For the period 2007-2013, the Community Strategic Guidelines and the ESF regulation¹⁰ identified good governance and capacity building as key issues that needed to be addressed, especially in less developed regions and Member States. As a result, EUR 3.7 billion of ESF funding was devoted to strengthening institutional capacity and the efficiency of public administrations and public services at national, regional and local level and where relevant, of the social partners and non-governmental organisations, with a view to reforms, better regulation and good governance. This support was organised under two headings¹¹:

- Mechanisms for improving policy and programme design, monitoring and evaluation at national regional and local level
- Capacity building in the delivery of policies and programmes, including as regards the enforcement of legislation

⁸ Evaluation of ESF Support for Enhancing Access to the Labour Market and the Social Inclusion of Migrants and Ethnic Minorities, CSES, May 2011

⁹ Ecorys, 2012, *Evaluation of the ESF support to Lifelong Learning*.

¹⁰ Article 3.2(b) – Regulation EC 1081/2006

¹¹ European Commission, 2013, *Cohesion Policy: Strategic Report 2013*. Factsheet: Institutional capacity building.

Four Member States (Bulgaria, Romania, Hungary and Greece) set up a dedicated administrative capacity building programme, while 10 others (the Czech Republic, the three Baltic States, Poland, Slovenia, Slovakia, Malta, Italy and the UK - in Wales) included it as a priority in one of their programmes, mainly in regional programmes. Others, like Italy, combined the two approaches with a dedicated national programme and priority axis in regional ones.

For example, the Bulgarian programme for administrative capacity includes EUR 157 million of Cohesion Policy support aimed at improving the implementation of policies and the quality of services provided to people and businesses. It is also aimed at enhancing the professionalism, transparency and accountability of the judiciary and improving human resource management and the qualifications of employees in state administration, the judiciary and civil society organisations.

The programmes are focussed on issues relating to the structure of administrations, their human resources and the systems and tools they use. Several success factors for effective administrative capacity building have been identified through detailed studies:¹²:

- the involvement of civil society;
- a clear methodological and technical approach;
- political commitment;
- clear definition of responsibilities;
- exchange of examples of good practice at EU level;
- the use of sound monitoring and evaluation methods

¹² Ecorys 2011

Box on EU value added through networking and the dissemination of good practice

The EU provides support for mutual learning programmes in order to disseminate examples of good practice in public administration reform and to stimulate creative thinking on devising effective solutions to common problems across the EU.

The **European Public Administration Network (EUPAN¹³)** is an informal network of the Directors General responsible for Public Administration in the Member States, the European Commission and observer countries. Its mission is to improve the performance and quality of European public authorities by developing new methods based on exchange of views, experience and examples of good practice among participants.

The Commission supports a **Community of Practice on Results-Based Management¹⁴** for policy-makers and programme managers involved in the preparation, management, monitoring and evaluation of ESF programmes. A major output of the network is a source book on results-based management to guide practitioners in developing their systems in this direction.

The European Public Sector Award¹⁵ (EPSA) is aimed at recognising excellence in public authorities in the EU. The award categories have raised awareness of important aspects of public administration, so encouraging governments to modernise their administrative arrangements and practices. EPSA is not only an award but by systematically collecting examples of good practice, it has built a knowledge base of how authorities can be better organised and provide better services. In total, it has compiled and assessed over 800 such examples in the last 6 years.

Under the 7th Framework Programme (FP7), the European Prize for Innovation in Public Administration was awarded to the 9 most innovative initiatives in this area, chosen from the 203 submissions received from 22 different countries, which could potentially be applied elsewhere.

3. EVALUATION EVIDENCE ON THE IMPACT OF COHESION POLICY

3.1. The state of play and the challenges involved for ERDF and Cohesion Fund co-financed programmes

The figures set out above provide an indication of the scale of activity supported by Cohesion Policy and of the kinds of projects and measures co-financed. They also in some cases indicate the outcome of the expenditure incurred and the results that the interventions concerned have led to. But in themselves they do not reveal what Cohesion Policy has achieved in terms of added-value or the difference it has made to the development of regional or national economies, to the number of people employed, to the quality of life of people, to a better balance of economic activity and employment across regions or to economic, social and territorial cohesion in general.

This is partly because the figures are in gross terms and some of the outcomes listed might have occurred anyway without the financial support provided. If, for example,

¹³ <http://www.eupan.eu/>

¹⁴ For more information: <http://www.coprbrm.eu/?q=node/1>

¹⁵ <http://epsa2013.eu/>

the ERDF, or ESF, co-finances 50% of the cost of a particular project or measure, it may be that 50% of the outcome should be attributed to the funding provided, more than this if the project would not have taken place without the funding or less than this if it would have taken place with a lower level of funding or even no public funding at all. In the latter cases, there is, what is termed, a 'deadweight' element involved, in the sense that financial support is being given to a project which would have been undertaken anyway. This element amounts to 100% of funding if the project or measure would have been undertaken on the same scale even in the absence of financial support or something below 100% if it would have been undertaken on a smaller scale.

A further complication is that the project might not have been undertaken without support but some other project of a similar type would have been. For example, giving funding to an enterprise for investment or to support jobs might mean that another enterprise does not invest or create jobs which it otherwise would have done. In this case, the funding provided has a displacement effect which needs to be taken into account when assessing its outcome.

The appropriate figure to take as a measure of the outcome of a project, or programme, and of its contribution to achieving policy objectives can be determined only by careful evaluation of the intervention - or set of interventions - concerned which attempts to disentangle the effect of the financial support given from other factors at work. This is important to do not only in order to identify what the policy measure(s) in question achieved but also in order to assess whether the funding involved was well spent and should continue to be used in the same way in the future or whether the measures concerned should be modified to make them more effective.

For ERDF and Cohesion Fund co-financed programmes over the period 2007-2013, at least 821 evaluations were undertaken in Member States¹⁶. For the ESF co-financed programmes over the same period 721 evaluations have been carried out in the Member States¹⁷. These figures are considerably more than in earlier periods. In addition, the evaluations undertaken since 2007 have for the most part been less 'formal' in nature, undertaken because of a wish to know more about how funding was being spent rather than simply because there was an obligation under the regulations to do so, and more directed towards building an understanding of how programmes were working. They were also in many cases focused on particular aspects of concern and on parts of programmes or individual measures or project types rather than on programmes as a whole which tend to be difficult to assess, except relatively superficially.

Most of the evaluations were not concerned primarily with the outcome of programmes as such. Many were concerned more with examining the processes and procedures involved in the administration of funding, the selection of projects to support and so on, to check whether the tasks entailed were being carried out efficiently and to identify possible improvements. Many others were concerned

¹⁶ This is the estimate made from the details of evaluations carried out in their countries by the Network of Independent Evaluation Experts set up by DG Regional Policy in 2010 to monitor the performance of ERDF and Cohesion Fund programmes over the 2007-2013 period in each of the 27 Member States and to collect information on evaluation activity. Some of the evaluations were financed from funding from the 2000-2006 period (which came to an end only in December 2009). See ...

¹⁷ As identified by the ESF Expert Evaluation Network at the end of 2013.

largely with the progress made in implementing programmes, with identifying any difficulties encountered in undertaking them and to verify that they were doing what was intended. This includes examining outcomes, though in the main on the basis of monitoring data and the kinds of indicator considered in the previous section rather than trying to distinguish the outcomes which could be attributed to the programme as such.

Only just over 20% of the evaluations of ERDF and Cohesion Fund and 23% of those of the ESF were focused on assessing the results of programmes and their effectiveness in achieving the objectives set when they were introduced. However, a much larger proportion (around 36%) of ERDF and Cohesion Fund evaluations carried out in 2013 were aimed at doing so. This increase reflects the fact that programmes by then had been running for some time and accordingly there were more results to assess but also the growing interest in Member States with knowing more about the effectiveness of policies. Most of these evaluations were based to a large extent on analysing quantitative data to try to distinguish the effect of the funding provided from other factors influencing the outcome and to estimate the extent of any 'deadweight' effects.

Another promising trend is the increasing use of more rigorous techniques, such as counterfactual impact evaluation. This technique is specifically designed to isolate the impact of funding by comparing recipients of support with a 'control' group which did not receive support (see Box). Although the number of evaluations using such methods was small over the period as a whole (only around 4% of the total for ERDF and Cohesion Fund programmes and 5% of the total for ESF programmes), it was increasing. The increase is due partly to a series of initiatives taken by DGs for Regional and Urban Policy and for Employment, Social Affairs and Inclusion (see box), as well as an increasing concern among Member States to learn more about how well measures are working and how to improve performance.

Counterfactual evaluations

Counterfactual evaluations of interventions of the kind co-financed under Cohesion Policy essentially use the same approach as for testing new drugs or medical treatments. They involve identifying a control group which has, as near as possible, the same characteristics of the group of enterprises or individuals which receive financial support, support which can then be meaningfully compared in terms of their behaviour or performance (their profitability, for example, or their success in finding a job) with the latter. Counterfactual impact evaluations thus seek to identify net effects or impacts of interventions.

The advantage of such a method is that it increases the reliability and rigour of estimates of impact. Counterfactuals are intended specifically to answer the questions 'what would have been the situation without the intervention?' and, more fundamentally 'does it work?'

However, applying counterfactuals to Cohesion Policy is not a straightforward process. It requires careful selection of a valid control group, as well as collection of reliable data for both supported and control group entities and there are many cases where it is simply not technically possible to carry out.

Various Commission Services are therefore actively working to make these methods as accessible as possible:

- DG Regional and Urban Policy has launched a series of such evaluations to pilot the method and helped organise three summer schools to train evaluators and

managing authorities, including for the ESF.

- DG Employment, Social Affairs and Inclusion took stock of existing evaluations. On this basis, practical guidance was produced and two calls for proposals for pilot evaluations launched.
- For the new programming period, both DGs have introduced requirements for the collection of relevant data. DG Regional and Urban Policy has introduced a requirement for publishing data on support to enterprises, so that third parties can access them for evaluation purposes. For privacy reasons, DG Employment, Social Affairs and Inclusion is not requiring publication of data on individuals, but has put in place requirements to record and store such data.
- DG Employment, Social Affairs and Inclusion has set up within the Joint Research Center in Ispra, Italy, a Centre for Research on Impact Evaluation (CRIE) to support Member States with methodological advice and training. DG Regional and Urban Policy is setting up a helpdesk to provide targeted advice on selected evaluations.
- DG Competition has drawn on experience in DG Regional and Urban Policy in drawing up evaluation requirements for the new state aids guidelines.

The increased importance given to results in the new programming period, as described below, will put increasing pressure on Member States to carry out evaluations of this kind. In addition, the tight constraints on public budgets, which are set to continue for some time to come, already lend paramount importance to maximising the effectiveness of the way that funding is spent. This can only be done by having more evidence about the effectiveness of the measures supported which implies more evaluations of this kind.

The use of counterfactual methods requires an appropriate control group and sufficient data to compare behaviour and performance of this group with those in receipt of funding. This is most likely to be the case for enterprise or innovation support. It is not possible to apply to most investment in infrastructure, though other quantitative techniques (such as cost-benefit analysis) can be applied, while in other policy areas (such as support for local communities), detailed case studies provide a potential means of assessing the results of interventions. For ESF co-financed programmes, a variety of interventions used within ESF, including training, employment incentives and labour market services (e.g. job counselling, coaching) would appear to be appropriate for a counterfactual evaluation, whereas support for systems and structures seems to be more challenging in terms of adopting a counterfactual approach.

It is equally the case that gaining a full understanding of the effectiveness of different interventions comes not only from applying the appropriate quantitative techniques but also from identifying how they achieve their results, which typically requires detailed examination on the ground of the mechanisms and processes involved.

3.2. Evidence from evaluations of ERDF and CF programmes

The findings of the evaluations carried out over the period 2007-2013 are summarised below in respect of three broad policy areas for which it is possible to

draw some general conclusions on the results of the support provided – for enterprises, RTDI and investment in transport.

3.2.1. Enterprise support

A large number of the evaluations undertaken during the period were concerned with assessing the effects of the financial support given to enterprises in various forms, not least because a major part of the funding from the ERDF was allocated to such measures in Competitiveness regions in particular. The measures concerned are also to a large extent relatively straight-forward to evaluate, so long as the necessary data are available (typically from company registers but also from the companies supported themselves), which unfortunately is not the case in many instances.

A number of the evaluations carried out were based on counterfactual methods, as indicated above, the most satisfactory way of distinguishing the effects of financial support, in the sense of distinguishing the outcome directly attributable to the funding itself. The main findings are:

- in Germany, various evaluations have found that assistance to enterprises contributes to the modernisation of industry and, accordingly, further regional development, this being the case especially in the Eastern regions¹⁸;
- in Portugal, investment grants have been found to increase employment and the survival rate of companies¹⁹;
- in Italy, however, several evaluations of investment grants concluded that while they had a significant effect in improving the performance of SMEs in most cases, it was difficult to detect a positive effect on large enterprises²⁰;
- in Hungary, financial support was found to increase the investment of firms significantly but to have less effect on value-added and profits.
- In the UK, Germany and Italy, evaluations carried out on financial instruments concluded that these had positive effects on enterprise performance, though so far there have been relatively few of them in relation to the scale of funding channelled through such instruments.

¹⁸ See: F.-J. Bade, Prognos AG und NIW - Niedersächsisches Institut für Wirtschaftsforschung. 2010. Endbericht zum Gutachten Erfolgskontrolle der einzelbetrieblichen Förderung von Unternehmen aus der GRW und dem EFRE in den Jahren 1998-2008: Wachstums- und Beschäftigungswirkungen für Niedersachsen. GEFRA und IAB (2010), Ex post evaluation of Cohesion Policy programmes 2000-2006 financed by the European Regional Development Fund; Work Package 6c: Enterprise Support - an exploratory study using counterfactual methods on available data from Germany, Münster, Nürnberg. Prognos AG. 2011a. Stand und Perspektiven der EFRE Förderung in Bayern - Zwischenevaluation des Operationellen Programms des EFRE im Ziel RWB Bayern 2007-2013.

¹⁹ Counterfactual analysis of the impacts of support schemes to businesses in POE/PRIME 2000-2006 (May 2013)

²⁰ Among several evaluations see for instance: ERDF OP Campania Ex post evaluation of aid schemes for enterprises 2000-2006; ERDF OP Sicily Evaluation of supporting enterprise policy; M. Mariani, F. Mealli, E. Pirani Gli effetti dei programmi di aiuti rimborsabili sulla crescita e la sopravvivenza delle PMI. Un disegno valutativo longitudinale applicato al caso della Toscana. 2012 IRPET; D.Bondonio, A. Martini Counterfactual Impact Evaluation Of Cohesion Policy: Impact And Cost-Effectiveness of Investment Subsidies In Italy. 2012. DG Regio.

On the other hand, evaluations of enterprise support carried out in Finland²¹, Slovenia²², Poland²³ and Latvia²⁴ had more difficulty in detecting a significantly positive effect of support on the performance of enterprises. Nevertheless, the summary conclusions²⁵ that can be drawn from the evidence accumulated by counterfactual evaluations is that:

- financial support to enterprises has the effect in most cases of increasing investment, production and employment in SMEs partly as a result of overcoming the constraint they face on capital markets of accessing funding; the fact, however, that the impact varies considerably between schemes suggests that the design of support measures and the way they are implemented are crucial.;
- the support provided tends to have more effect in expanding output and employment than in increasing productivity, though this may be because of the relatively short time period over which most evaluations have analysed the performance of the companies supported; the jobs created, however, seem to be of relatively high quality paid at or above the firm average and long-lasting;
- there is evidence that measures could be more cost-effective, in the sense that the amount of funding could be scaled down without markedly reducing the results achieved. There are also hints that the most cost-effective measure is the cheapest – the provision of advice and guidance to businesses; it is equally the case that financial instruments seem to be more cost-effective than (non-repayable) grants in the sense of having positive effects on enterprise performance, while potentially being capable of being recycled to fund additional investment;
- most evaluations have found that financial support has little effect on the behaviour of large enterprises, that it does not seem to lead to any significant improvement in performance in respect of any of the indicators examined, and that, accordingly, there is a large ‘deadweight’ element in the funding provided. This raises a serious question over whether it is justifiable to subsidise large enterprises directly. A better strategy might well be to ensure that the region – or country – concerned is an attractive place in which to do business.

3.2.2. *Support of RTDI*

A relatively large number of evaluations have also carried out on ERDF support for RTDI, especially in Competitiveness regions where, along with enterprise support,

²¹ Pietarinen M., 2012, *Yritystukiselvitys (An investigation on enterprise support)*. Ministry of Labour and the Economy. Innovation 7/2012.

²² Evaluation of measures for promoting entrepreneurship and competitiveness in Slovenia in the period 2004-2009 (2012).

²³ Evaluation of direct and indirect support to the SME sector in ROP and a recommendations on the support of SMEs in the future financial perspective 2014-2020 (2013).

²⁴ Evaluation of the impact of entrepreneurship and innovation support programmes and recommendations for improving the support system (April 2013)

²⁵ For a summary of the evidence see Mouqué, 2012, *What are counterfactual impact evaluations teaching us about enterprise and innovation support?*,

http://ec.europa.eu/regional_policy/sources/docgener/focus/2012_02_counterfactual.pdf

it accounts for a significant proportion of the funding provided. Virtually all of them have concluded that the effects of intervention have been positive. This is particularly the case as regards the counterfactual evaluations undertaken, for the most part in Italy, Finland, Germany, Spain and Hungary, which in the main relate to the 2000-2006 period.

These have generally found that the support provided has increased the amount that the companies concerned spent on R&D over and above what the amount of funding received (i.e. their expenditure was not only higher than it would have been had they not received support but the scale of the additional spending was larger than the funding). Moreover, as in the case of enterprise support, a number of the evaluations found that the effects on SMEs were larger than on bigger firms, in the sense that the former tended to increase their expenditure more than the latter.

The findings, however, are more variable as regards the effect on productivity and profits, which in this case, are important indicators of the success of support measures. An Italian evaluation, for example, found that while the short-term effects of subsidies to RTDI on company performance were positive, the long-term effects were limited. On the other hand, an evaluation carried out in Denmark on a measure implemented in the 1990s, though not financed by the ERDF, found that the support given to innovation consortia increased the profitability of companies receiving the support by 12% in relation to the control group (i.e. those not receiving support) over the 10 years following the intervention²⁶. This suggests that the form which the support of innovations takes might well affect the effects that it has.

At the same time, a number of evaluations found that support had positive effects on employment in R&D activities (i.e. that it led to more research jobs, such as in Ireland) and the development of innovation clusters (as in Hungary). More generally, evaluations carried out in Germany, Italy, the UK, Portugal and Slovenia, found that support led to an increase in the capacity of SMEs to innovate, that, in other words, the increase in inputs (the greater effort put into R&D) produced more outputs which potentially improved their competitiveness.

Evaluations using other methods than counterfactual have tended to focus on other aspects of the support provided. In both Poland and Slovakia, for example, the support measures were found to lack strategic concentration which reduced their effects, while in Belgium, Sweden and Portugal, it was found that there was a limited ability to involve SMEs in the measures and so the funding failed to reach them to a large extent.

Evaluations also found that in a number of cases the agencies or centres set up to provide RTDI assistance to firms had limited capacity to do so which again reduced the effects of the funding intervention provided. This was the case in Italy, especially in the less developed regions in the south of the country, though it was less so in the more developed regions in the north. In France, an evaluation of the 'techno-poles' concluded that these centres, which received ERDF co-financing, were effective in increasing R&D activity but pointed to the need to increase their focus on innovations with commercial application instead of on basic research.

²⁶ 'An analysis of firm growth effects of the Danish Innovation Consortia scheme', Centre for Economic and Business Research, Denmark.

3.2.3. *Investment in transport*

Fewer evaluations have been carried out on support for investment in transport than on either enterprise or RTDI support. This is especially the case for projects co-financed from the ERDF and Cohesion Fund for the period 2007-2013 since relatively few of them have been completed and those that have been have been in operation only for a short period – too short to properly judge their effects. Those that were undertaken during the 2007-2013 period, for the most part on investment financed from the previous period's funding, have tended to assess the effects of individual projects, such as the construction of a motorway or a railway between two points, rather than of a network as a whole. The latter is more relevant to consider since the projects in question are – or should be – planned as part of a transport system rather than individually. Indeed, treating projects in isolation is likely in most cases to lead to misleading results in terms of the effects on ultimate economic and social objectives, insofar as these arise from the overall network being in operation and it is difficult, if not impossible, in principle to isolate the effects of individual parts of this.

For example, the gains to a region of a motorway linking, say, the main city to a city elsewhere in the country will tend to depend on the state of connections to it and how easy it is to access it, which will determine the traffic which it carries and the overall savings in time and costs which it gives rise to. Its effects, therefore, cannot easily be separated from the effects of the 'feeder' roads which are constructed. Similarly, the effects of introducing a fast rail link between two cities (not necessarily a high-speed line) will depend on the ease of getting to the stations at the two ends of the line as well as to those in between, which will depend on the road and rail links to them, as well as on the ease of parking once there. Again these effects can only meaningfully be assessed in terms of the overall system rather than simply the rail link alone.

The evaluations which have been carried out on transport networks rather than on individual projects have generally found that they have had positive effects on regional development. For example:

- in Greece, the construction of the Athens metro was found to reduce road traffic in the city significantly and to boost employment and tourism, as well as reducing pollution and improving the quality of life;
- in Lithuania, evaluation of investment in roads was also found to increase employment in the areas concerned through reducing transport costs and improving accessibility;
- in Germany and Slovenia, ERDF support for developing urban transport in a number of cities was found to increase the competitiveness of the regions concerned, partly by reducing the time and costs of travel and attracting business investment.

The evaluations undertaken, however, have also highlighted potential problems relating to the sustainability of the investment in that it was not always the case that future maintenance costs had been factored into the analysis when assessing the gains relative to the expenditure involved.

A major reason for the small number of evaluations of networks which have been carried out is the difficulty entailed, especially if the concern is with assessing the economic and social effects on particular regions or countries. Many of these effects are intangible (such as improvements in the quality of life) or extremely long-term, in the sense that they will continue to occur over many years, or even decades, and therefore difficult to measure or predict. It is easier, though not entirely straightforward, to evaluate individual projects, especially if the exercise is limited to the more measurable and more certain aspects, such as reductions in journey times and time saved as well as a lowering of vehicle operating costs in the case of roads.

Although they were limited in scope in this way, 9 of the 10 large-scale transport projects evaluated by using cost-benefit analysis as part of the ex-post evaluation of the Cohesion Fund in the 2000-2006 period were found to yield positive net returns, in the sense that the net present value of the gains from the projects were estimated to be greater than the costs of construction, operation and maintenance²⁷.

The only project for which benefits fell short of costs was the Madrid-Barcelona high-speed line, which might well be because of it being considered in isolation of other parts of the rail network and the effect of the completion of the network, when it occurs, on the traffic carried by the line. When the analysis was carried out, therefore, the line was operating at well below capacity partly because other lines feeding into it were yet to be completed (though also because of the effects of the recession on its use). The benefits were, therefore, depressed as a result, illustrating the importance of adopting a wider and longer-term perspective when assessing the effects rather than a narrow one.

A major conclusion to be drawn from the various evaluations, as well as from other studies of investment in transport over the years²⁸, is that while a good transport network might be important for development, its effects depend critically on what else happens in the region or country concerned. It, therefore, needs to be seen in combination with other factors which contribute to development, such as a well-educated work force and the presence of innovative enterprises.

3.3. Evidence from evaluations of ESF programmes

The findings of the evaluations carried out over the period 2007-2013 are summarised below according to policy areas.

On the issue of measuring the impact of ESF interventions in a robust way, which genuinely demonstrates what difference the ESF has made to the final recipients of

²⁷ The 10 projects were the high-speed railway line between Madrid and Barcelona; the railway line between Lisbon and the Algarve in Portugal; Thriassio-Pedio-Eleusina-Korinthos railway in Greece; the upgrading of the Bratislava Rača-Trnava railway line in Slovakia; the A2 motorway in Poland between Konin and Strykow; a 75 km stretch of the A23 motorway in Spain running from Pau in France to Zaragoza; the Agiou Konstantinou bypass in Greece; the M1 motorway in Ireland; the IX B corridor in Lithuania, including the Vilnius southern bypass; and the eastern section of the M0 Budapest ring road in Hungary.

²⁸ For example: OECD, 2011, *Building resilient regions for stronger economies*, Regional Outlook 2011 and Ricardo Crescenzi and Andres Rodriguez-Pose, 2012, *Infrastructure and Regional Growth in the European Union*, CEPR Discussion Paper Series no 8882

interventions, evaluations were generally unable to present a significant amount of compelling evidence. Nevertheless, the effects of ESF support have mostly been significant and sizeable in the limited number of robust evaluations which considered some specific ESF interventions and programmes. These show, for example, that individuals in ESF-supported interventions are more likely to find employment than control groups.

In broad terms, results in relation to Increasing Adaptability, Access to Employment, and Human Capital were felt to be good. Additionally, some examples of significant net benefit based on robust evaluations were available. The analysis around Social Inclusion was less conclusive. Limited evidence around results and little by way of evaluation evidence led typically to the assessment that ESF resources deployed for Social Inclusion were being used less coherently and with limited effectiveness. Promoting Partnerships and Strengthening Administrative Capacity are less common policy fields across Member States and there is also only limited evidence on results in these fields. However, evaluations tend to be positive about the contribution they have made to public services.

3.3.1. Enhancing access to employment

Where robust evaluations have been conducted by MS these show that individuals in ESF-supported interventions are more likely to find employment than control groups. In Member States where evaluations have compared PES activity with ESF funded additional activity for the same client group, positive effects have been found to result from the ESF-supported intervention packages, which are essentially providing a more intensive and higher quality service to unemployed people.

Notwithstanding this, job entry rates are typically below 50% although this varies according to the period at which these are measured following completion of a specific activity. In a number of Member States job entry rates are typically around 1 in 3 or less.

Wage subsidies have been deployed extensively since the global recession to incentivise employers to recruit the unemployed and other groups with specific disadvantages, but some evaluation evidence suggests that significant percentages of the final recipients subsequently return to unemployment. Evaluations also suggest public works and other temporary job creation measures have a poor record in terms of the percentages moving on subsequently to employment. However, stronger results are evident for training which is vocationally specific and for traineeships and work placements.

3.3.2. Equality between women and men

It was a requirement of the Regulations for the 2007-2013 period that ESF programmes should take account of the gender perspective at all stages (in their preparation, implementation, monitoring and evaluation). They therefore make specific reference to measures for reconciling work and private life, increasing the participation of women in employment and reducing gender-based segregation, including narrowing the pay gap.

There is evidence from evaluations that increased attention has been paid to gender equality in ESF interventions and that in a number of Member States, they have

helped to push gender equality on to the policy agenda and measures have been implemented that would not otherwise have been funded.

Because of the mainstreaming of the issue in programmes, however, it is difficult to estimate the funding that has gone to supporting equality between women and men. In terms of results however, women account for around 52% of all recipients of support, though this proportion varies from 39% in the UK to 56.5% in Poland. Estimates of the effect on employment are not yet widely available, but in Spain, for example, 888,000 women are reported to have gone into a job up to the end of 2011 after leaving an ESF programme, just under 62% of all those doing so.

The gender equality measures supported by the ESF were aimed at achieving a number of objectives²⁹:

- increasing the ability of women to compete in the labour market by improving their skills.
- training women and men in occupations traditionally dominated by the opposite sex so increasing their career prospects;
- assisting women to become entrepreneurs as well to provide them with care facilities to enable them to reconcile work with their family life;
- improving the quality of care services to encourage their take-up and to extend their opening times as well as to train the unemployed for care jobs.
- combating gender stereotyping and, to a lesser extent, educational gender segregation through support for public awareness campaigns, seminars to trade unions, training teachers and parents and revisions to school curricula;
- aiding poverty-stricken, vulnerable women, often suffering from multiple discrimination as well as victims of violence to help them gain skills, confidence and so economic independence.

There is evidence, in general, that the multi-dimensional strategies combining different types of intervention are becoming more important to tackle the multiple causes of discrimination or the different reasons for gender gaps. Examples include combining personal guidance or classroom teaching of practical daily skills, facilitating access to psychological support, language lessons, vocational training and help over job search, which is likely to be more effective than providing these measures in isolation.

At the same time, there have been significantly fewer measures aimed at influencing the social, economic or institutional context or targeted at the demand side, such as training employers or human resource managers or giving incentives to firms to employ women as managers. The evaluation carried out emphasised that there was a need to intensify such measures in order to tackle the root causes of discrimination.

²⁹As indicated by an evaluation of such measures at:
<http://ec.europa.eu/social/keyDocuments.jsp?pager.offset=10&langId=en&mode=advancedSubmit&policyArea=0&subCategory=0&year=0&country=0&type=0&advSearchKey=evaluationesf>

3.3.3. *Social inclusion - migrants and minorities*

A general finding from MS evaluations is that the most effective ESF supported services are those which are designed very specifically around the needs of particular groups, with training appearing as a very effective measure for migrants. In relation to the results for different groups, there is very limited evidence.

More ESF support was provided to increase the labour market involvement and social inclusion of migrants and ethnic minorities in the 2007-2013 period than in the previous one. Some EUR 1.17 billion of funding was allocated to specific measures to help migrants and a further EUR 10 billion to general measures targeted at disadvantaged groups, including migrants and minorities, half of this being estimated to go on the latter. In total, therefore, just over 8% of the overall ESF budget was allocated to support for this group.

Around 1.2 million of the people concerned are reported to have participated in ESF co-financed measures up to the end of 2012 (862,000 of them migrants), though the actual figure may be some 100,000 higher because of the under-reporting of ethnic minorities, especially Roma.

An evaluation of ESF support³⁰ found that it helped people to find employment by strengthening their employability, especially their ICT and basic literacy and communication skills, as well as by encouraging them to become self-employed

ESF support was also found to have helped to improve initial integration services, to create new networks and organisational structures and generally to improve the capacity of public bodies to assist people with a minority background. At the same time, knowledge has been gained and experience shared between public bodies and NGOs with a specialist understanding of the needs of migrants and ethnic minorities and the barriers they face in accessing the labour market.

While there are many specific measures for Roma, an 'explicit but not exclusive' approach has increasingly been adopted towards them so as to avoid separating them completely from other groups, which would run the risk of them becoming even further segregated. Integrating measures together seems to be most effective, linking support for education and training with access to housing, transport and health services and improvements in basic infrastructure, which are basic pre-conditions for Roma being able to find employment.

The evaluation identified a number of examples of good practice, such as in Spain, where NGOs were consulted early and remained closely involved, along with final recipients themselves, in the implementation of the measure.

³⁰<http://ec.europa.eu/social/keyDocuments.jsp?type=0&policyArea=0&subCategory=0&country=0&year=0&advSearchKey=evaluationsocialinclusion&mode=advancedSubmit&langId=en&orderBy=docOrder>

Examples of counterfactual ESF impact evaluations carried out in Member States

An evaluation of the **2007-13 ESF Programme for England**³¹, assessed the effects of interventions aimed at increasing the employability of recipients of Jobseekers Allowance (payable for up to 6 months) and Incapacity Benefit or the Employment and Support Allowance (payable typically to the longer-term unemployed) on the basis of administrative data. The large number of people covered made it possible to carry out detailed statistical analysis, distinguishing recipients in terms of their characteristics and type of support received. The evaluation found consistently positive effects in increasing access to employment which were larger for the more disadvantaged group.

An evaluation of **social integration programmes targeted at people with disabilities and ex-offenders in Lithuania**³² was carried out to assess their effects in re-integrating participants into the labour market. The data used enabled those eligible for the programmes who did not participate to be identified as well as those that did. It found that the programmes increased the probability of participants finding employment, the duration of this and the earnings received. It also found that the effects on those with disabilities were greater than on ex-offenders³³.

4. THE MODELLED IMPACT OF COHESION POLICY 2000-2006 AND 2007-2013

The only way of obtaining a complete overview of the impact of Cohesion Policy on the EU economies is by means of a macroeconomic model which incorporates the available evidence on the effects of the various kinds of interventions.

This section reports on a model-based³⁴ assessment of the potential impact of the Structural Funds and the Cohesion Fund during the previous programming periods 2000-2006 and 2007-2013 in the Member States which were the most important recipients of financial support. These are the three EU-15 Cohesion countries, Portugal, Spain and Greece, which received funds over the two programming periods as a whole, together with Ireland, which was a recipient of the Cohesion Fund up to 2003, and the EU-12 Member States which received pre-accession assistance from 2001 and saw a major increase in funding after accession in 2004 or 2007 in the case of Bulgaria and Romania. They also include the eastern part of Germany and the southern Italian regions (the

³¹ <http://research.dwp.gov.uk/asd/asd5/ih2011-2012/ihr3.pdf>

³² The interventions under evaluation were financed under the 2004-2006 programming period. However, the data used for the analysis expanded until 2010 and the study provided recommendations on how the use of the EU structural assistance might be improved during the rest of the programming period 2007-2013.

³³ Public Policy and Management Institute, 2012, *Evaluation of social integration services for socially vulnerable and socially excluded individuals for the effective use of the EU structural assistance for the period of 2007-2013*

³⁴ The model used to carry out this impact assessment is an extension of Quest III containing a representation of the effect of investment in human capital and endogenous technological change, which makes it particularly suitable for the evaluation of Cohesion Policy type of structural interventions. It also includes explicit cross-country linkages through bilateral trade relationships to capture spill-over effects and the interaction between EU Member States. For a more detailed description of the model, see Varga, J. and in 't Veld, J., 2011, *A model-based analysis of the impact of Cohesion Policy expenditure 2000-06: Simulations with the QUEST III endogenous R&D model*, Economic Modelling 28 (2011) 647-663.

Mezzogiorno). (Note that a more detailed description of the macroeconomic model used to generate these estimates is set out in the next Chapter in relation to estimating the effects of Cohesion Policy funding in the present programming period which involves the same methodology – i.e. comparing developments without the funding with those with the investment which it finances.)

In the programming period 2000-2006, more than EUR 250 billion was spent on Cohesion Policy in the EU-15 and on pre-accession aid and structural interventions in the EU-10. Spending in the Member States listed above amounted to EUR 186 billion.

For the programming period 2007-2013, the total budget is EUR 336 billion, of which EUR 173.9 billion is allocated to the Member States that have entered the EU since 200, EUR 76 billion to Spain, Greece and Portugal and EUR 26 billion to the Eastern German Lander and the Mezzogiorno in Italy.

Figures 86 and 87 show the potential impact of Cohesion Policy on GDP (‘potential’ in the sense of what it is estimated to be if the effects of funding are as assumed in the model) for the two programming periods respectively, showing in each case the average short-run impact on the one hand and the longer run impact, on the other.

Figure 1: Estimated impact of Cohesion Policy 2000-2006 on GDP

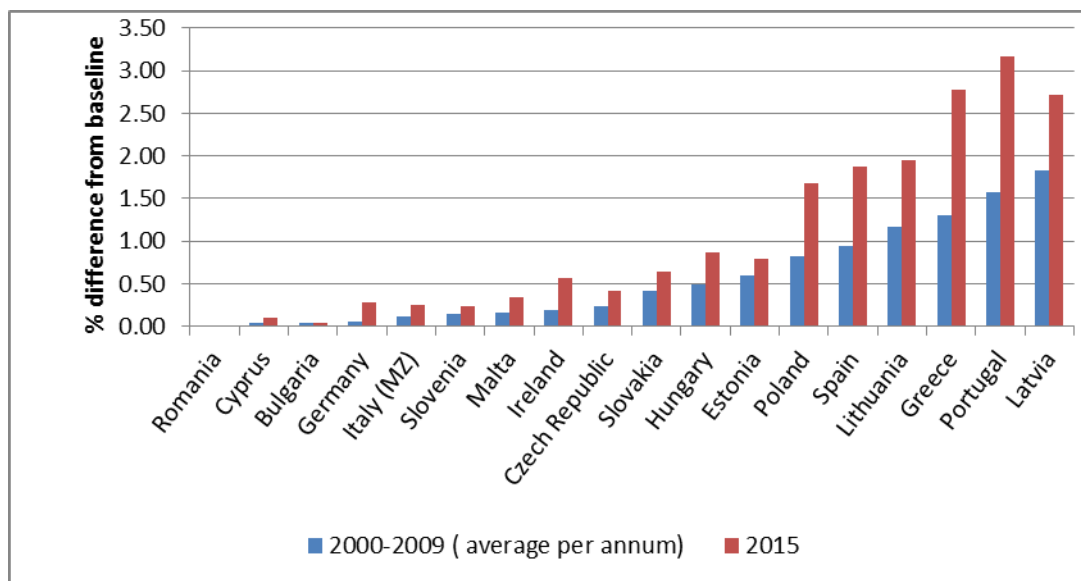
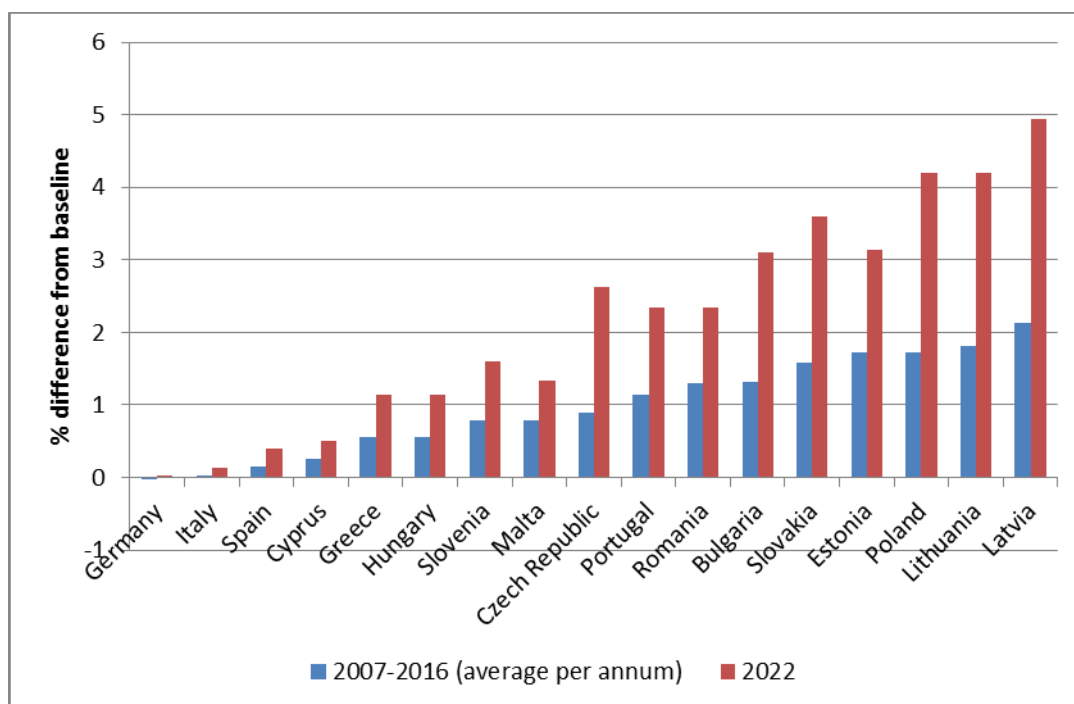


Figure 2 Estimated impact of Cohesion Policy 2007-2013 on GDP



These results show an unambiguously positive impact of Cohesion Policy on GDP in the Member States considered. The results of the model simulation suggest that the investment financed under Cohesion Policy during the period 2000-2009 has the potential to have increased GDP on average by up to 1.8% a year in Latvia relative to the baseline (i.e. as compared with the level of GDP in the absence of this investment), by up to 1.6% a year in Portugal and 1.3% a year in Greece (Figure 88). Cohesion policy programmes are also expected to improve the conditions of the labour market. Over the same period, the simulation suggests that 2000-2006 programmes increased employment by around 0.5% as compared to baseline in Lithuania and Portugal, and by 0.3% in Poland, Latvia and Spain.

Over the period 2007-2016, the average increase in GDP as a result of Cohesion Policy is estimated to amount to 2.1% a year in Latvia, 1.8% a year in Lithuania and 1.7% a year in Poland as compared with the baseline projection. In terms of employment, the average annual impact is estimated at 1% in Poland, 0.6% in Hungary, and 0.4% in Slovakia and Lithuania.

For both periods, the impact in the medium and longer-term for all countries exceeds the impact during the funding period itself. In 2015, the effect of the funding going into investment in the 2000-2009 period is to increase GDP in Spain by almost 1 percentage point more than during the period itself (by 1.9% instead of just under 1%) and in both Greece and Portugal, by over 1 percentage point (Figure 88), pushing the increase up to around 3% a year relative to the baseline in both countries. The impact on employment also increases in time. In 2014, it reaches 1.3% in Lithuania, 0.9% in Latvia and 0.8% in Poland.

The longer-term effect of funding for the 2007-2016 programming period is even more pronounced, the increase in GDP in 2022 as a result of the additional investment carried out being more than double that of the average increase during the period. In both Lithuania and Poland, therefore, in 2022, GDP is raised by over 4% above what it would be without the investment concerned and in Latvia by 5%.

For the same year, employment is increased by 1.8% in Poland and by 0.7% in Hungary and Slovakia.

The results of these simulations highlight the fact that the estimated gains from expenditure under Cohesion Policy build up over the years as a result of the strengthening of the competitiveness of the economies receiving support and continue well after the investment programmes concerned come to an end. During the funding period itself, therefore, most of the effect on GDP comes from the increase in demand which the expenditure gives rise to, which is assumed to be partly crowded out as a result of the increases in interest rates, wages and prices which follow from this. In the longer-run, the effect of the investment in increasing productivity becomes stronger, leading to an increase in the potential output of economies, or their capacity to sustain growth, which means that GDP can grow without this generating inflationary pressure.

Assuming that the effects of the added investment brought about by the funding provided are as the evidence seems to indicate, the simulations, therefore, demonstrate that the strengthening of the productive potential in the economies receiving support is both long-lasting and larger in scale than the short-term effects of the stimulus to demand from the injection of finance.

The Impact of Cohesion Policy: a summary of the economic research carried out

There are a great many research papers which have been produced since the mid-1990s which use econometric techniques to assess the effects of Cohesion Policy on the growth of regions and the extent of convergence of GDP per head towards the EU average. Most of them focus primarily on the earlier programming periods and on the effects of the policy on regions in the EU-15 and only a few of the most recent ones cover the EU-12 countries as well. The papers use a range of different techniques to generate estimates of the effects of policy as distinct from the many other factors at work.

Around half of the studies which have been carried out have found significantly positive effects of Cohesion Policy on EU growth³⁵, while a quarter or so have found positive effects but less strong and not in all cases. This leaves around a quarter of the studies which have found either little effect or effects that were not statistically significant. Many of these studies, however, were published between 1996 and 2004 when there were more limited data available covering a shorter time span.

The great majority of the studies published since 2005, which are based on larger set of data covering a longer time period have found that the policy has had broadly positive results³⁶. This is equally the case for studies covering EU-12 countries as well as the EU-15.

Nevertheless, while most studies find that Cohesion Policy has helped to reduce regional disparities in economic performance, they also conclude that the effects are not uniform³⁷ and that many different factors influence whether or not the policy is successful in a particular context as well as the scale of the effect. These factors relate, in particular, to the institutions in place and the efficiency of governance, the national policies pursued and the performance of neighbouring regions³⁸. Equally, there is recent evidence that the performance of the policy is affected by the way funding is distributed and allocated between policy areas, an issue which is central to the recent reforms.

³⁵ Bradley, J., Untiedt, G., and Mitze, T., 2007, *Analysis of the Impact of Cohesion Policy: A Note Explaining the HERMIN-Based Simulations*, Technical Note, Cappellen, A., Castellacci, F., Fagerberg, J., and Verspagen, B., 2003, *The Impact of EU Regional Support on Growth and Convergence in the European Union*, Journal of Common Market Studies, 41, 621-644, De la Fuente, A., and Vives, X., 1995, *Infrastructure and education as Instruments of Regional Policy: Evidence from Spain*, Economic Policy, 10.20, 13-51, Martin, R., and Tyler, P., 2006, *Evaluating the Impact of the Structural Funds on Objective 1 Regions: An Exploratory Analysis*, Regional Studies, 40.2, 201-210

³⁶ Midelfart-Knarvik, K.H., and Overman, H.G., 2002, *Delocation and European Integration – is Structural Spending Justified?*, Economic Policy, 17, 323-359, Ederveen, S., de Groot, H.L.F., Nahuis, R., 2006, *Fertile Soil for Structural Funds? A Panel Data Analysis of the Conditional Effectiveness of European Cohesion Policy*, Kyklos, 59, 17-42, Hagen, T., and Mohl, P., 2009, *Econometric Evaluation of EU Cohesion Policy: A Survey*, Discussion Paper 09-052, ZEW, Mannheim

³⁷ De Freitas, M.L., Pereira, F., and Torres, F., 2003, *Convergence among EU Regions 1990-2001: Quality of National Institutions and 'Objective 1' Status*, Intereconomics, 38.5, 270-275, Garcilazo, E., and Rodriguez-Pose, A., 2013, *Quality of Government and the Returns of Investment: Examining the Impact of Cohesion Expenditure in the European Regions*, OECD Regional Development Working Papers, No 2013/12, Paris

³⁸ Becker, S.O, Egger, P.H, and von Ehrlich, M., 2012a, *Too Much of a Good Thing? On the Growth Effects of the EU's Regional Policy*, European Economic Review, 56, 648-668, Ederveen, S., Gorter, J., de Mooij, R., and Nahuis, R., 2002, *Funds and Games: The Economics of European Cohesion Policy*, CRB and Koninklijke De Swart, Amsterdam. See: <http://www.enepri.org/files/CPBstudy.pdf>, Bouvet, F., and Dall'erna, S., 2010, *European Regional Structural Funds: How Large is the Influence of Politics on the Allocation Process*, Journal of Common Market Studies, 48.3, 501-528

5. CONCLUSION

Assessing the impact of cohesion policy is not an easy task. However, the progress achieved as a result of the policy are constantly monitored while the effects have been evaluated at various levels using many different methods. They generally confirm the tangible and concrete benefits that Cohesion Policy has produced and continues to produce in EU regions and cities.

The policy has led to numerous achievements. Thousands of projects have provided support for investment in SMEs or helped to start operations. Other projects have contributed to improving the capacity of the business sector to transform R&D into valuable innovation. Cohesion Policy has made it possible for millions of households and firms to connect to the most advanced ICT networks. It has financed the construction of kilometres of roads and railways, so improving transport links in areas of the EU where their absence or poor state has hindered economic development. Cohesion Policy has also contributed to improving access to the labour market across the EU and has helped to better integrate vulnerable social groups into society. It has equally worked to protect the environment, notably by co-financing the installation of environmental infrastructure in places where it would otherwise not have occurred because of lack of resources.

These achievements have helped to improve the structure of the EU economies while at the same time promoting an inclusive and sustainable pattern of development across the EU. Cohesion Policy support has significantly enhanced the performance of enterprises, especially of SMEs, and increased their investment and employment, as well as the R&D they undertake and their capacity to innovate. Investment in transport infrastructure, when carried out as part of a coherent strategy, has been shown to have a positive effect on regional development.

The changes brought about by Cohesion Policy at the micro level show up after a time at the macro level. Assessing the impact of policy on GDP growth and employment requires account to be taken of both direct and indirect effects of interventions, which can only be done through simulating policy using macroeconomic models. Such simulations suggest that Cohesion Policy significantly contributes to increasing GDP and employment, in particular in the Member States which are the main recipients of financial support. The models also show that, in line with the long-term objectives of policy to permanently increase the productive potential of EU economies, the effect continues to build up years after the programmes have ended.

Even if the evaluations indicate that positive results have been achieved by Cohesion Policy, there is still room for improvement. In particular, the evidence underlines the importance of concentrating funding on a limited number of key priorities and ensuring that the right conditions are in place for policy to have its maximum impact. The design and implementation of the policy itself could also be enhanced by focusing more on results, setting coherent objectives and selecting clear and appropriate targets for programmes. To a large extent, these are the aims which have driven the reform underlying the 2014-2020 programmes.