The Lisbon Agenda and EU cohesion policy: challenges for territorial governance

(Work - in - progress)

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Abstract

This paper deals with the organisational and procedural transformations in the field of EU cohesion policy which have taken place as a consequence of its strengthened link with the Lisbon Agenda, and discusses the relevance of these changes in the perspective of a wider debate on territorial governance in the EU. Therefore, it analyses the novelties that have been introduced in the new Structural Funds Regulations, which are related to the decision to make cohesion policy the main delivery tool of the Lisbon agenda, and it looks at the response to these changes on the part of national, regional and local authorities across EU member states. The paper then reconstructs the link between this top-down process and some backdrop dynamics that have developed around the formulation of the concept of territorial cohesion, which is intrinsically connected with the Lisbon priorities. This latter aspect has been entirely overlooked by political scientists thus far.
1. Introduction

The adoption of the Lisbon Agenda has been widely recognised as a prominent effort in terms of policy innovation and strategic change at the EU level; although it is not yet clear what impact the crosscutting introduction of the Lisbon priorities will have in the different policy fields. After the review in 2005, the implementation tools of the Growth and Jobs Agenda shifted out of the area of application of the Open method of coordination and were integrated into other modes of governance.

EU cohesion policy represents a particularly interesting case in this sense. This re-distributive policy, regulated by the Community method, now holds the biggest share of the Community budget, and until the reform 2006 its major goal was to reduce disparities in socio-economic development between EU regions and States. With the beginning of the new programming period (2007-2013), this policy has been defined as strategic for the EU to become the most competitive and dynamic knowledge based economy in the world, and the Lisbon objectives have been extensively integrated into the new regulations of the Structural Funds.

Such a choice grounds on the suggestion (Kok Report, 2004) that the consolidated multi-level structure of cohesion policy, which is based on strategic development, programming, partnership, monitoring and evaluation, could provide some essential implementation tools for a successful re-launch of the Lisbon Agenda, such as:

- the possibility to have strong financial incentives from the Union budget (through the programmes co-financed by the Structural Funds),
- the concept of ownership embedded in the management system of the programmes (through the close partnership involving the authorities at the European, regional and local level, the social partners and civil society);
- a strategic approach (through long-term planning, monitoring and evaluation of development programmes).

In view of the ambitious Growth and Jobs Agenda, two more characteristics of cohesion policy can be added to the list: its cross-sectoral approach to development policies, which has been further strengthened by the objective of territorial cohesion introduced in the Third intermediate report (European Commission, 2004), and its strong Europeanisation potential that has produced substantial institutional and procedural impact on national and regional policies and politics, though a multifaceted mechanism of adaptation and learning (Leonardi, 2006).

On the other hand, the adjustment of cohesion policy to the Lisbon priorities (European Parliament 2005) has led to some substantial changes in its own governance structure. A looser strategic approach has been adopted by the new cohesion policy, whilst maintaining its original organisational and procedural principles. This new layout provides for a broader degree of autonomy in the interpretation of policy priorities by domestic policy actors, once the issues of “common concern” have been identified at EU level.

It should be remembered at this stage, that another important process has been in progress in the field of EU cohesion policy since 2003, that is, the formulation of the concept of territorial cohesion. There are two interrelated but separate dynamics that converge in this process - on the one hand, the consultation and agenda-setting activity of the DG Regio of the European Commission (Green Paper, 2008), and, on the other, the intergovernmental debate in the context
of the EU Territorial Agenda. The notion of territorial cohesion, which has so far been rather ambiguous, refers to a policy that seeks to combat territorial disparities and achieve a more spatially balanced pattern of economic development through coordination and coherence of sectoral policies that have a spatial impact (European Commission, 2004). Remarkably, the link between these objectives and the goal of developing knowledge-based economic activities and innovation is explicit in various political documents on territorial cohesion, whereas until very recent the strategic documents of the Lisbon Agenda have made no reference to this concept.

At first glance, cohesion and competitiveness may seem “bedfellows” and, in fact, such a combination triggered much political and academic debate (Bachtler and Wishlade, 2004; Fadda, 2006; Spinaci, 2006). The true problem, however, seems to reside not in their conceptual incompatibility, but in more practical aspects regarding policy implementation mechanisms, otherwise it would be impossible to implement the Lisbon priorities through cohesion policy tools. It would clearly be a simplification to believe that the above characteristics of cohesion policy might themselves ensure effective implementation of Growth and Jobs, and it will be demonstrated that there is still much ambiguity and uncertainty about operational procedures and possible outcomes of this intricate mixture.

The present paper looks at the transformations that have taken place in the governance of EU cohesion policy as a consequence of its strengthened link with the Lisbon Agenda with a double-fold objective: to reveal the impact that these changes have had on the structures of this public policy and to explore the response to these changes on the part of national, regional and local authorities in the perspective of a wider debate on territorial governance in the EU.

The paper is organised into four parts. In the first section, the new normative framework of the Structural Funds is examined with the purpose to identify the transformations of objectives, procedures and tools-kit of EU cohesion policy, which are related to the introduction of the Lisbon priorities. The second part illustrates how and to what extent the EU priorities have been integrated in national and regional development strategies, while the third will discuss the role that regional and local authorities actually play in the implementation of Lisbon objectives and look at the perception that these actors have of their potential contribution in this process. The forth section considers the relevance of the transformations revealed within the perspective of a wider debate on territorial governance in the EU and a new policy concept of territorial cohesion, while the concluding remarks summarise the main perplexities arising around the new policy design.

2. New Structural Funds and the delivery of the Lisbon Agenda

The primary goal of EU regional policy has been, since its very inception in 1975, to reduce regional disparities between less and more developed areas of the Community. In order to guarantee more effective and efficient achievement of its socio-economic objectives, this policy has produced considerable organisation and procedural innovations in terms of both policy tools and institutional set ups, which entailed the process of transformation, sometimes quite substantial, in the administrative performance of regions and member states that have benefited from financial allocations of the Structural Funds.
The core of these mechanisms has been constituted by the principle of partnership that induced the institutionalisation of a multi-level policy system, where a direct channel of interaction between EU Commission and sub-state authorities was established, and where a structured cooperation between European, national, regional and local actors as well as socio-economic partners was required throughout the whole policy cycle (Bache, 2008a; Hooghe and Marks, 2001).

This intense process of vertical (Commission-national governments-sub-state authorities) and horizontal (public-private and trans-national) interaction has been considered to be an important tool for the process of learning that was perceived as essential for the improvement of different aspects of policy implementation, from output efficiency to the definition of priorities and the choice of effective measures. The learning dimension was particularly strong in the context of Community Initiative Programmes (PIC) that were created as laboratories for testing innovative approaches to development policies (Domorenok, 2009), which aimed at underpinning ownership and trans-national partnership of public and private stakeholders at different territorial levels.

Considering mainly positive results of the above policy framework in terms of both economic (Puigcerver-Peñalver1, 2008) and institutional efficiency (Leonardi, 2005), the pre-accession instruments used on the eve of the latest EU enlargements adopted a number of typical Structural Funds procedures with the purpose to enhance the process of restructuring the administrative systems and promote the creation of the institutional capacity necessary for the formulation and management of complex and multi-annual Community programmes.

It is not surprising, therefore, that cohesion policy has been chosen as the main delivery tool of the renewed Lisbon Agenda which, after its launch in 2000, produced very modest results (European Commission, 2005a). It is also useful to mention that already in the programming period 2000-2006, the Lisbon priorities were indicated as an important point of reference for development strategies – without any binding condition - and around 80% of the regions have taken these priorities into consideration when drafting their development programmes. This process was completely separate from the implementation procedures of the early version of the Lisbon agenda. In the current conditions, however, the capacity of cohesion policy to foster innovation and competitiveness cannot be taken for granted for at least two reasons.

First, as Europeanisation studies clearly show, the response to the Community input, tends to vary substantially from country to country and also between regions (Benz and Eberlien, 1999; Bolgherini, 2006; Börzel, 2002), and the nature of change (from accommodation to retrenchment (Radaelli, 2000)) appears to be strongly conditioned by a set of “context” variables characterising each specific territorial unit (Bukowski et al., 2003). The relevance of the endogenous potentials and of the internal institutional set-ups of EU states and regions appears to be particularly high in the new, more strategic, cohesion policy design (2007-2013), given that more responsibilities have been transferred from EU to national and sub-state levels.

Second, the complexity of the task that the new cohesion policy should carry out has also increased. It is called in to respond to the two important challenges that the EU faced during recent decades. On the one hand, the number of member states of the Union has increased by 12 countries, whose GDP per-capita is below 75% of the EU average. On the other hand, the economic restructuring and globalisation, technologic revolution, aging population and growing
Migration flows have allowed the need to have EU coherent and joint action on a global scale emerge once again. Thus, the objective of cohesion policy is now double-fold: to enable economic and structural modernisation, and improve competitiveness potential of the EU territory through strengthening coordination and cooperation process between public and private actors operating on different territorial levels.

The analysis below illustrates how these challenges have been addressed in the new programming documents, what policy solutions have been suggested by the EU to enable the achievement of the declared priorities and in what way governance architecture of cohesion policy has changed as a consequence of its adjustment to the Lisbon priorities.

Thus, following the endorsement by the Parliament and the Council, the reform of the Structural Funds (2006) has introduced a number of novelties in EU cohesion policy, comprising its objectives, implementation, monitoring and evaluation tools.

In terms of overarching priorities, the new cohesion policy aims have been aligned with the next three objectives announced by the renewed Lisbon Agenda (European Council, 2006):

- Improving the attractiveness of Member states, regions and cities by improving accessibility, ensuring adequate quality and level of services, and preserving environment;
- Encouraging innovation, entrepreneurship and the growth of the knowledge economy by research and innovation capacities, including new information and communication technologies;
- Creating more and better jobs by attracting more people into employment or entrepreneurial activity, improving adaptability of workers and enterprises, and increasing investment in human capital.

In this way, the scope of cohesion policy have been extended beyond its main objective to reduce the gap between the most and the least developed regions, and the comprised measures are aimed at strengthening the potential of the Union’s economic growth through combing actions fostering research and innovation, on the one hand, and social and economic cohesion, on the other (European Council, 2006). This means that all and not only lagging behind regions are covered by the new cohesion policy. Such an approach is guided by a double-fold objective. On the one hand, it should facilitate consensus around EU budget, which inevitably arises between the contributors and beneficiaries. On the other hand, it adopts the model developed by the French school of spatial planning (Falaudi, 2006), according to which isolated poles of economic growth can produce spill-over effects for their surrounding areas.

As far as the operational principles of cohesion policy are concerned, while maintaining traditional principles, such as complementarity, consistency, coordination, compliance, programming, partnership, shared management and additionality, the reform introduced a number of new elements that illustrate the recognition of the need to focus the limited resources available on measures for promoting sustainable growth, competitiveness and employment. Among these new principles are the following: territorial level of implementation, proportional

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1 There is no consensus on whether this change can be positively assessed, since “competitiveness” priorities of the Lisbon agenda can be perceived as contradictory to the original mission of Community regional policy, which was to reduce the gap between rich and poor regions by assisting the latter group (for further details of this debate see Spinaci, 2007; Fadda, 2007).
intervention, sustainable development and Lisbon-oriented approach (European Commission, 2007).

The first two principles, territorial level of implementation and proportional intervention, underline the central role of the member states in the whole process of policy implementation, from the definition of appropriate measures to the assessment of their efficiency. The same regards the system of control for the programmes where the level of Community co-financing does not exceed 40% of the total expenditure. The other two principles, instead, require that development strategies are oriented towards the objectives established by Gothenburg and Lisbon Agendas. For the latter one, a special “earmarking” mechanism has been established.

Following the Lisbon conclusions (2005), policy formulation and implementation mechanisms have also been changed and cohesion policy has adopted a more strategic approach, according to which principal policy guidelines are defined at the EU level, while national and regional authorities assume major responsibility in the subsequent implementation phase for which they are expected to have necessary experience and expertise. In more concrete terms, this means that the programming cycle starts with the adoption of a strategic document, Community Strategic Guidelines on cohesion, whose objectives should then be translated into National Strategic Reference Frameworks (NSRF) and Operational Programmes (OP) that should contain the priority need for attaining the above objectives in specific territorial contexts. Thus, once the overall strategy is agreed upon with the Commission, and NSRF and OPs are approved by the Commission, States and regions have the responsibility for key decisions in matters of project selection and programme management. In sum, a decentralisation of competencies has taken place.

As Figure 1 shows, the approval procedures and the content of the programming documents have been substantially simplified as compared to the previous programming periods, when they were characterised by quite a complex mechanism of multi-step negotiations between the Commission and member states on “personalised” aid mechanisms, and very detailed programming documents. In this way, ahead of adoption, the Commission negotiated with the member States the content of a number of documents: Community Support Frameworks (CSFs), Single Programming Documents (SPDs), Operational Programmes (Ops), Community Initiative Programmes (CIPs) and their financial plans. The first document, CSF was approved by the Commission following an appraisal of National and Regional Development Plans submitted by a member State and containing the strategy and priorities for the action of the Funds. Only after that were OPs implementing CSFs and their Programming Complements approved. In some cases², the latter two steps could be merged in a Single Programming Document.
Another novelty introduced in EU cohesion policy, which is closely linked to the Lisbon agenda, is thematic and financial concentration of the new policy Objectives. Contrary to the previous period, the so-called *mainstream Objectives* of cohesion policy are not formulated according to the typology of structural problems that affect regions admissible for community aid under one or another Objective (lagging behind industrial or rural regions, etc). The new definition of the Objectives (Convergence, Competitiveness and Jobs, Territorial cooperation) is thematic and the majority of admissible actions are based on the issues tackled by Growth and Jobs Strategy, for example, research and technologic development, innovation and spirit of enterprise, a knowledge based society, alternative energy sources, protection of environment, investment in human capital, improving worker and business adaptability. To guarantee a more strict orientation towards the above priorities, the already mentioned “earmarking” mechanism has been set up. It establishes that at least 60% of the resources assigned to Convergence Objective programmes and 75% of expenditure on the regional programmes of the Competitiveness Objective will be allocated to the Lisbon priorities.

Thus, even if major financial resources are concentrated on the least developed regions\(^3\) of the Convergence objective (81%), with the purpose to stimulate economic growth and employment, the actions envisaged therein mainly focus on measures contributing to innovation and the creation of the knowledge based society, adaptability to economic and social changes, a better quality of the environment and administrative efficiency. All regions that are not eligible for Objective 1 are covered by Regional Competitiveness and Jobs Objective, almost entirely devoted to the reinforcement of the regions’ competitiveness and attractiveness, by anticipating economic and social changes, and sustaining innovation and human potential (European Commission, 2007a).

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\(^3\) Regions (NUTS 2) whose GDP per-capita is less than 75% of the Community average, transitional support of the regions that would have been eligible for the Convergence Objective if the threshold has remained 75% of the average GDP of the EU-15 and not the EU-25 (phasing out), member states whose per-capita Cross national income is below 90% of the Community average.
Within such a perspective, another change appears to be extremely important: there is no longer any Community zoning for the Regional Competitiveness and Employment Objective and the decision on admissibility of geographic areas or actors to the participation in OPs is decided on a regional level. Differently from the previous programming periods, thus, the elaboration of a coherent strategy applicable to an entire region, instead of micro-zoning at municipality or village level is required. Such a strategic approach at the micro level has put forward a number of challenges before regional authorities who now need to define appropriate criteria for building regional and local partnerships, and to design comprehensive development projects to be co-financed by the Structural Funds. According to the new regulations, these projects should aim at fostering the endogenous potential of regions by strengthening coherence, inclusiveness, ownership and sustainability of development policies.

Furthermore, a number of new operational tools have been envisaged in the field of cohesion policy to enable the implementation of the Lisbon priorities, which regard the priority of unlocking the business potential and enabling better regulation. On the one hand, two new financial engineering initiatives, Jeremie\(^4\) and Jessica\(^5\), were created with the support of the EIB Group, which seek to improve the access to finance for small and medium-size enterprise. Their functioning is directly linked to the implementation of operational programmes. On the other, around €3.6 billion will be used to modernise public administration at different territorial levels and to improve the quality of policy implementation, along with the measures aimed at improving the quality and enforcement of legislation, carrying out impact assessment and increasing quality of services for citizens and enterprise.

Finally, a strategic follow-up procedure has been introduced with the purpose to access the degree of adaptation of cohesion policy to the priorities retained within the framework of the Lisbon strategy (European Parliament, 2005). According to this procedure, the European institutions will evaluate, on an annual basis, the progress made concerning the strategic priorities and the results achieved, based on strategic reports submitted by the member states. In addition, in 2009 and 2012, each country will submit a strategic report containing information on longer term cohesion policy contribution to the realisation of the Lisbon Agenda. These actions will be followed in 2010 and 2013 by a report of the Commission synthesising the national contributions and reflecting on the opportunity, and the need, to adjust programmes to new challenges.

Such a mechanism is analogous to the one created for the monitoring of the implementation progress of the National Reforms Programmes (NRP), the so-called “spring reports” that European Commission annually presents the Council. Since 2007, these two follow-up procedures are closely linked, because it is now mandatory that the member states explain in their annual reports to the Commission how their operational programs co-financed by SF contribute to the implementation of the NRP, the primary tool of the Lisbon Agenda implementation.

Therefore, a very interesting and double-fold trend can be observed. The implementation of the Lisbon Agenda, generally associated with “soft” regulatory tools and in particular with the Open Method of Coordination (Borràs and Jacobsson, 2004), has been handed over to the policy

\(^4\) JEREMIE (Joint European Resources for Micro to Medium Enterprises)
\(^5\) JESSICA (Joint European Resources for Sustainable Investment in City Areas).
where hard law instruments prevail in order to ensure better effectiveness of policy implementation though stricter implementation tools such as “earmarking” and more rigorous monitoring and evaluation mechanisms. At the same time, a looser framework for formulation and implementation of the programming documents has been created and its procedures have been substantially simplified. The member states and the regions are invited to transform Community priorities into their own priorities, while expenditure eligibility rules become national and regional rather than Community based. Several evaluation and control procedures have also been transferred from the EU to national level, what further weakens the degree of Commission’s involvement and influence after the approval of operational programmes.

According to the Commission, such an approach will guarantee better policy efficiency, since national and regional authorities are better aware of their own potentials and needs in the light of the objectives announced in Lisbon. At programme level, a greater decentralisation of responsibilities to local and regional partners is expected to pool local and regional knowledge, expertise and resources for designing integrated, tailor-made local and regional strategies. Moreover, the Commission expects that a more pro-active role of regional and local authorities in the implementation of the new programmes would contribute to improving responsibility and ownership at different territorial levels. This latter component has been recognised to be one of the main weaknesses of the original Lisbon Agenda and now it is considered to be essential for its future success.

In the strategic documents regarding the Lisbon Agenda, however, there is no clear understanding what exactly “an increased ownership” means and how it can be achieved (Begg, 2007:4). It is generally perceived as a coordinated action of different levels of government, which share the same priorities and act accordingly, and, thus, it appears to be essential for the construction of the Lisbon governance architecture.

In analytical terms, therefore, ownership refers to both organisational and ideational impact (Borràs and Radaelli, 2009) of the Lisbon Agenda on the existing patterns of public policy, which can be empirically revealed through a number of indicators. In the case of cohesion policy, the substantive component can be reconstructed through an analysis of the new national and regional development strategies and their implementation mechanisms, which should have been brought as close as possible to the priorities established by the Lisbon Agenda. The ideational component is more difficult to catch, as it regards attitudes and perceptions of actors involved in the implementation of these programmes.

3. From Community Strategic Guidelines to Operational Programmes: the interpretation of the Lisbon priorities

The analysis of national and regional development programmes that will be implemented during the period 2007-2013 confirms a high degree of alignment of the declared objectives with respect of the Lisbon Agenda. According to these documents, the average of the funds to be invested in Lisbon related expenditures is around 65% for the areas covered by the “Convergence” Objective, and about 82% in the regions of the “Competitiveness and Employment” Objective (European Commission 2008a). It is necessary to remember at this stage, that the “earmarking procedure” establishing the percentage of resources to be devoted to
the Lisbon priorities, is mandatory only for the regions of the EU-15 countries, while for the new members these targets are voluntary.

The figures, however, vary substantially, not only across member states but also between their regions. In this way, the Convergence regions of the EU-15 member states allocated around 74% of funds to Lisbon priorities, as compared to the EU-12 countries that are going to spend on these objectives, on average, 59% (Poland 64%, Slovakia 59% and Romania 52%). Among the Competitiveness regions, the highest rates of Lisbon-oriented investments are in Austria (92%), Denmark and Sweden (91%) (Committee of the Regions, 2008).

The data in Figure 2 confirm that the highest investments in the Lisbon priorities among the countries of the Convergence objective are in Austria (88%), Portugal (81%), United Kingdom (80%), and Belgium and Spain (78%). The remaining EU-15 counties keep these expenditures between 58% (France) and Germany (72%), with an intermediate position of Italy and Greece (68%). Denmark, Finland, Ireland, Luxemburg, Netherlands and Sweden do not fall under this Objective.

As far as the Competitiveness objective is concerned, the leading position is held by Austria and Denmark (92% both), then Finland, Luxembourg, the Netherlands, Sweden and the United Kingdom with around 89%. The largest group that spends between 74% and 82% is composed of Greece 74%; Belgium, Czech Republic, Portugal, Slovakia (78%); Spain (80%); Germany, France, Italy, Ireland (82%). The minor indicator is that of the two new member States: Hungary 55% and Cyprus 58%.

Likewise, the interpretation of the Lisbon priorities varies a lot from one territorial unit to another. A number of thematic axes related to the Lisbon priorities can be however identified, such as: R&D and innovation, knowledge-based service economy, entrepreneurship and business-support, and inclusive labour markets and enhancing skills. The range of actions that
are planned in the context of each of these is quite wide. For example, *R&D and innovation* priorities have been interpreted as innovation by building on existing research capacities and potential (Slovakia), seeking new opportunities (UK), support for researchers and postgraduate studies in science (Slovenia, Latvia, Estonia, Hungary, Lithuania); *knowledge based service economies*, instead, has been translated through investment in information and communication technology, education and training, on-line services to business and citizens and a sustainable broadband infrastructure, which in Poland, Italy, Greece, Slovakia and Spain pledge the largest budgets. The actions in support of *human resources* provide for business start-ups and encouragement of self-employment, as well as investment in human capital through actions aimed at life-long learning, higher quality of education and special interventions for migrants.

There is also an obvious *trade-off* between the objectives of territorial cohesion and competitiveness, especially in the countries characterised by strong internal divergences in terms of economic development, like Italy and Germany. Only few new member States, however, have made their choice in favour of support of less developed areas, paying less attention to the Lisbon actions: Lithuania, Poland, Czech Republic and Slovakia (Polverari, 2006: 717).

A greater concentration on the objective to reach overall economic growth through competitiveness and innovation is observed, instead, in the countries receiving modest Community resources, which are covered by the Competitiveness objectives, such as Austria, Ireland, the Netherlands, Finland and the United Kingdom. At the same time, in this group of countries, there has been a general trend to base national and regional strategies on the already existing programmes, due to the fact that the resources coming from the Structural Funds for the Competitiveness objective are limited, what means that major investments to the stated objectives should derive from regional and national budgets.

Finally, around 27% of the resources under the “European Territorial Cooperation” Objective will be used for the Lisbon priorities, comprising research, technological development and innovation, entrepreneurship, innovative ICT and human capital.

According to the EU Commission evaluations, the negotiations concerning new cohesion policy strategy, which have brought to the approval of national and regional operational programmes summarised above, have demonstrated that the policy acts as a catalyst for change: “it has provided a platform for designing effective regional or sectoral strategies to enhance growth, generate more and better jobs and improve financial and delivery mechanisms achieving a long-term impact and a more effective use of public funds” (European Commission, 2007b).

It is not yet clear, however, whether such an alignment of priorities will translate into the true process of transformation in terms of concrete actions and will produce a paradigmatic change in national and regional development strategies, or if it will result in a kind of accommodation strategy with respect of EU priorities. It will be possible to have a first reliable assessment of these aspects already in 2010, when the mid-term evaluation of the programmes will be carried out, while the utility of ex-ante evaluations is really limited in this sense, because in the new programming period the strategic documents report only priority axes without a detailed description of the related measures.

It goes without saying that much depends on whether and to what extent the priorities agreed upon in the drafted programmes are shared by those authorities, who are responsible for their implementation and who are expected to acquire strong ownership of these renewed strategy.
Considering that the majority of operational programmes co-financed by the Structural Funds will be implemented at sub-state level, it is useful to look at the opinion that regional and local actors have with regard to the Lisbon Agenda in general and their own role in its implementation in particular.

4. The “Lisbon Paradox” and regional and local ownership of the Lisbon Agenda

According to the findings of the Lisbon monitoring platform of the Committee of the Regions\(^6\), regions and cities do not perceive the Lisbon Strategy as such contributing to their regional or local development, although they are engaged in virtually all Lisbon-related policy areas, and expenditure for innovation in their spending plans has increased as a consequence of the “earmarking provisions”.

Conversely, the contribution of the Structural Funds to the achievement of regions/cities’ development goals has been assessed as fairly high and high by 72% representatives of regional and local authorities. Remarkably, the quota of those who view the SF impact as fairly low is much higher in the EU-12 Member States (36%) in contrast to the EU-15 MS (20).

Such a trend has been assessed as a kind of paradox, considering that the development objectives of regions and cities, which are listed below, mainly coincide with the Lisbon priorities:

- fuelling growth and jobs by improving the business environment and fostering entrepreneurship and innovation;
- promoting employment and human capital;
- protecting the environment.

It is also interesting to note that the Lisbon Strategy is more sceptically viewed by the representatives of cities and local authorities, whose assessment of the contribution of this strategy to their development strategies has been low (5%) and fairly low (54%). Instead, around 54% of regional representatives consider the input of this strategy to the achievement of their development goals as fairly high (39%) or high (15%).

The fact that added-value of an integrated Lisbon Strategy has not been perceived at regional and local levels is also confirmed by the analysis of priority policy areas as defined by regions and cities today. There is a considerable gap between the indicators of perceived present and future importance of the internal market (53%) and competitiveness of industrial base (79%) on the one hand, and, human capital (87%), business environment (89%) and innovation (89%), on the other. These latter issues, together with the aspects regarding energy efficiency and climate changes are considered to be of high or increasing importance. Instead, problems like manpower shortage, female participation in the labour market, integrating legal migrants are seen as relatively important (between 41% and 67%).

It is obvious, therefore, that two important components of the Lisbon Strategy are still very weak on regional and local level: an integrated vision of development policies and the ownership

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\(^6\) The Lisbon Monitoring Platform comprises 104 members (48 local and 56 regional) from EU 26 (Luxembourg does not take part). In relation to the share of their population (21% of the EU population), the EU-15 countries are quite well represented (71% of LMP involved), while EU-12 are less covered (29% of LMP). Thus, the majority of SNA belong to the Competitiveness and Employment Objective. This report is a response to the request of the Spring European Council 2006, which welcomed the initiative of the Committee of the Regions in support of the Partnership for Growth and Jobs and encouraged it to deliver a summary report in yearly 2008.
of the Community objectives. These weaknesses may be partly attributed to a relatively low involvement of regional and local authorities whose participation in the implementation of the Lisbon Agenda has, so far, been only marginal.

In fact, around 96% of the regions and cities indicated that they could play a more relevant role in the partnership for the Lisbon agenda implementation and their dissatisfaction with the up-to-now level of involvement is generally high (55%), although it is lower than in 2006 (67%). This indicator is even higher with regard to the implementation of the National Reform Programmes, where it now ranks around 70% for regulatory decisions and awareness raising activities, and decreases to 60% when funding and co-funding programmes are concerned. In general, the indicator of dissatisfaction is particularly high in the EU-15 counties. The consultation process here is to a large extent viewed as a formal obligation by national administrations rather than an opportunity to gather experience from regional and local authorities on issues relating to the Lisbon Strategy.

It is feasible to think, therefore, that linking Lisbon Agenda to cohesion policy that is perceived by regional and local authorities as highly important for their own development strategies will not only ensure more efficient implementation of the former, but may also improve the awareness among sub-state actors about its strategic value. To this end, however, there is an obvious need, on the part of both EU institutions and the Member States, to clarify the role and the competencies that sub-state public authorities should play in the whole process.

For the moment, this aspect appears to be one of the weaknesses of the renewed Lisbon strategy. It recalls the importance of regional and local actors for the strategic partnership along with other categories of stakeholders, but it makes no reference to their potential of public bodies with specific competencies, powers and resources, which could important for increasing both ownership and efficiency of the Lisbon agenda implementation at regional and local levels (European Commission, 2005a,b; European Council, 2008).

It can be expected, therefore, that the degree of adherence of regional and local authorities to the objectives announced by the programmes and, in the end, their ownership, will depend on the procedures established within the institutional schemes of Structural Funds management and implementation, which vary a lot across EU member states in terms of both degree of decentralisation and degree of coordination of implementation mechanisms for EU and domestic development programmes.

A number of IQ Net reports (Bachtler and Wishlade, 2004; Ferry et al., 2007) underline that the established mechanism of SF implementation can increase the profile of the regional level and influence the evolution of policy coordination models in the regional policy. This capacity, however, is related to the degree of decentralisation of competences to lower levels of authority, which varies from country to country and even inside them, and which is subject to influence of internal political reforms and changing procedures in a given programming period.

It is highlighted that the contribution of regions and cities to the Growth and Jobs Strategy cannot be properly measured due to a lack of regionalised data. Moreover, regions and cities are considered as one category of stakeholders amongst others rather than as public authorities with specific competences and powers, as well as financial capacity.

IQ-Net is a network which brings together regional and national partners from Structural Funds programmes across the European Union. Its aim is to improve the quality of Structural Funds management through exchange of experience. The network involves a structured programme of applied research and debate, centered on bi-annual conferences.
For example, with the start of 2007-2013 programming, a regionalisation process has taken place in some countries. More specifically, in Poland, Hungary and Finland, multi-regional operational programmes have been substituted by region-specific programmes and regional authorities have obtain major competences in implementing the programmes; in others, like in Slovakia, Czech Republic and Poland, more responsibilities in programmes implementation have been transferred to regional and local levels. On the other hand, this process has been accompanied by organisational change at national level, often with the purpose to concentrate implementation responsibilities in a smaller number of bodies and to guarantee stronger coordination mechanisms. This regards not only sectoral operational programmes that are normally managed at the national level, but the overall management of the Structural fund and, at times, other EU programmes, like in Finland, Hungary and Greece, where new coordination authorities were established at central level.

In general, a three-fold categorisation of the implementation systems in the enlarged Union identifies three macro-groupings:

- centralised – where regional administrative levels are absent or weak and the management is largely carried out by national ministries and other national bodies (Latvia, Lithuania, Estonia, Hungary, Slovenia, Greece, Malta, Cyprus);
- mixed central-regional systems – where implementation responsibilities are divided between administrative tires (Poland, France, Spain);
- regionalised systems (Germany, Italy, Netherlands, Austria, Belgium and Portugal).

Another important difference in the way of Structural Funds implementation regards the system of administration of these resources in the context of ordinary procedures adopted at programme level in EU regions and states. In some countries, the management of EU funds is integrated in the policy-making process concerning national funding, where EU resources may be either subsumed (Austria, Germany) or dominate (Hungary, Poland, Czech Republic, Romania, Latvia) national funding; in others, these two processes may be coordinated (Denmark, Italy, UK) or differentiated (Belgium, Sweden) (Ferry et.al, 2007).

The described above diversity will naturally result in varying degrees of institutional and procedural alignment between domestic and EU priorities, whilst adaptation pressures appear to be stronger in those countries where Structural Funds represent the main funding stream. There is clear evidence that in many EU-15 countries, where in the past Structural Funds constituted a substantial part of budget for development policies, the degree of organisational and procedural misfit with respect to EU blueprints remained elevated, despite some noticeable signs of formal adjustment (Bolgherini, 2006; Fargion et al., 2006).

The above considerations confirm the extreme complexity of issues concerning institutional and political variables around the administration of Structural Funds and their adaptation to the Lisbon agenda at sub-state level. The uncertainty of possible outcomes of this process further increased due to the fact that in the current programming period the micro-zoning rule has been repealed and, thus, the combination of cohesion and competitiveness priorities will be defined more or less autonomously in each regional context, although central governments mainly maintain the coordination function.
In the shadow of this two-level coordination strategy (between member states and inside them) led by the European Commission, there has been another parallel process that has developed through a mixture of top-down and bottom-up dynamics, which reconciles the objective of economic and social cohesion with competitiveness priorities within the idea of territorial governance. This process confirms the existence of some essential conditions that are needed for the successful implementation of the Lisbon agenda across different territorial levels and it adds a number of elements to the ongoing debate on the delivery tools of this strategy.

5. Competitiveness and cohesion in the concept of territorial governance

The term of territorial governance has appeared in Commission’s documents with regard to another ambiguous notion of territorial cohesion. It has gradually acquired a normative-instrumental value related, on the one hand, to the capacity of cohesion policy to adapt to the particular needs and characteristics of specific geographical challenges and opportunities, and, on the other, to its ability to put into action a permanent cooperative process involving the various actors and stakeholders of territorial development at the political, administrative and technical level (Territorial Agenda, 2007). The central idea of a territorial governance approach is that the territory is not a neutral component but it is an interactive system, where a set of place-specific conditions, resources, ties and capacities coexist. In order to reach better efficiency and higher legitimacy, public policies should adopt a territorial governance perspective.

These assets make a territorial governance approach clearly relevant for the implementation of the Lisbon strategy that awards high importance to such elements like ownership and partnership of stakeholders at different territorial levels and, at the same time, lacks any concrete tools for achieving them. It is surprising, moreover, that there is a striking discrepancy regarding the territorial dimension between the Commission’s documents concerning the general strategy of the Lisbon Agenda implementation (European Commission, 2005a,b), on the one hand, and the strategic guidelines of the DG Regio of the Commission, on the other (European Commission, 2007). If the latter documents put the idea of territorial governance in the centre of the implementation strategy of the Lisbon Agenda, the former ones have never made explicit reference to it. The below analysis will explain why such an inconsistency should not be underestimated.

The territorial dimension has gradually grown in the context of EU regional policy around three characteristics: the principle of partnership that has traditionally encouraged a more proactive role of regional and local actors at the stages of policy framing and policy implementation, while since 1993, the involvement of private actors and representatives of the civil society in the formulation and management of the territorial projects has also become mandatory; integrated nature of development programmes, which required cross-sectoral or territorial base approach, has been one the main requirements for SF co-financing; a territorial approach according to which policy measures should take in consideration peculiar characteristics of a given territory (urban and rural areas, mountains, coastal zones, etc.).

An official recognition, however, of the importance that “territorial variables” possess as factors shaping the dynamics of regional development was received in 2004 with the publication
of the Third Report on Economic and Social Cohesion that put the concept of territorial cohesion as an additional element that competes and reinforces the notion of economic and social cohesion (European Commission, 2004). Its objective was to help to achieve a more balanced development by reducing existing disparities, preventing territorial imbalances and by making both sectoral policies that have a territorial impact and more coherent regional policy. Another goal of such a policy innovation was to enhance those forms of territorial governance, which promote collective action at regional and local levels and encourage the mobilisation of the endogenous knowledge, resources and capacities for policy implementation.

Already at that step, territorial cohesion was expected to contribute to the achievement of the objectives of the Lisbon agenda, but it was not specified how and what exactly territorial cohesion denoted, albeit it was intrinsically linked to the normative framework delineated by other concepts such as endogenous and polycentric development, sustainability and competitiveness. Such ambiguity has been maintained for more than a decade and the conceptualisation of territorial cohesion is ongoing. The political debate on this concept, however, has remained in the shadow of the intensively discussed bargaining over the new financial prospective of the EU and its most important political agendas. Instead, an analysis of this process puts into light several remarkable details of policy-making dynamics in the EU with regard to the sensitive issues of territorial development policies, the Lisbon priorities and the related modes of governance.

This process had its start with an extensive political debate on the territorial dimension of the cohesion set off by the European Commission in the beginning of the 1990s. The Commission published two basic documents, Europe 2000 (1991) and Europe 2000+(1994) advancing the idea that derived from the French vision of territorial development according to which a territory should not be managed in a top-down manner but rather regional and local stakeholder participation was expected to be important (Falaudi, 2006: 672). These documents laid the ground for the so-called “European Spatial Development Perspective” (ESDP), the initiative that moved the debate on cohesion related issues into intergovernmental, albeit informal arena, constituted by periodical meetings of the EU Ministers for Spatial Development, who since 1994 have shown their constant interest and adherence to the idea of territorial cohesion.

After the publication of the two seminal documents, the EU Commission stepped back and its involvement in the ESDP initiative was rather marginal, although territorial cohesion has been invoked in the Second and Third Cohesion reports as if it were already an area of EU policy (Falaudi, 2006). The elaboration of the ESDP has assumed therefore a prevalently intergovernmental nature, also because spatial policy was not among the issues covered by the Community method, while the formula adopted by its final scoping document “Territorial Agenda of the European Union. Towards a More Competitive and Sustainable Europe of Diverse Regions” has a number of implicit OMC features (Gualini, 2007: 7) in as far as it builds upon EU-wide special development goals previously advanced by the member states and it pursues their evidence-based specification (in particular through ESPON) in view of the definition of indicators and benchmarks (based on a common definition of the concept of “territorial cohesion” for national and local-regional translation.

Remarkably, already in the first ESDP document (Leipzig Principles, 1994) the problem of the EU’s capacity to compete on a global scale was addressed and two main conditions were
identified as follows: achieving polycentric development of EU territory, which presupposes overcoming the concentration of economic activities in the so-called pentagon area (comprised between London - Paris – Milan – Munich – Hamburg) and a stronger integration of the European regions into the global economy.

In May 2005, at Luxembourg informal Ministerial meeting on regional policy and territorial cohesion, the scoping document “Territorial State and Perspectives of the European Union: Towards a Stronger European Territorial Cohesion in the Light on the Lisbon and Gothenburg Ambitions” was endorsed and it further strengthened the previously intuitive link between the objectives of integrated territorial development, sustainability and competitiveness objectives.

Later on, in 2007, a further attempt was made to focus on elaborating territorial cohesion and “posting this ambition explicitly in the light of the Lisbon aims” (TSP, 2007:3). One of the focal points of this document is the notion of territorial capital through which a link is established between territorial cohesion and the Lisbon agenda that did not have explicit territorial dimension. Thus, according to the report on the “Territorial State and Perspectives of the European Union” (2007), the key challenge for strengthening territorial cohesion is to enhance the territorial capital and potentials of all EU regions, and promote territorial integration, i.e. by promoting trans-European synergies and clusters of competitive and innovative activities. This document has become the basis for the so-called Territorial Agenda of the EU, a political document that defines the priorities of the intergovernmental cooperation on territorial development issues in collaboration with the European Commission (Territorial Agenda, 2007).

In the text of the Territorial Agenda, three strategic policy objectives are identified in the perspective of the Lisbon aims: improving and strengthening identity of urban centres/networks as motors for territorial development; improving accessibility and territorial integration; preserving and developing the quality of Europe’s natural and cultural values and strengthening territorial capital of areas with a weak economic structure of geographical handicaps.

It is important to highlight here that the European Commission has proceeded in parallel with its own policy initiatives aimed at enhancing balanced and sustainable territorial development in the EU, which where interconnected with the Territorial Agenda process described above. In particular, since 1999, the Commission has promoted ESPON Programme (in the context of the CIP INTERREG III C) with the purpose to provide common scientific and analytical grounds for integrated strategies of territorial development (for 27 countries) through the creation of comparative datasets comprising several indicators useful for development policy design and monitoring of “spatial” impact of different EU sectoral policies. This programme, in fact, has supported the elaboration of both the ESDP and the Territorial Agenda.

Another strategic instrument, this time for gathering and exchange of action knowledge has been provided by trans-national cooperation programmes in the context of Community Initiative Programmes, which produced two further strategic instruments: INTERACT and URBACT. These instruments operate through the web and have a double-fold objective: to provide a mole of information (legislation, best practices, evaluation and monitoring techniques, etc.) on various issues of territorial development policies and to enable the construction of cooperative networks.

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9 Each region has its sui-generis territorial capital that is distinct from other areas and is determined by many factors which may include geographic location, size, factor of production endowment, climate, traditions, natural resources, quality of life…understandings, customs and informal rules…combination of institutions, practices, rules….that make a certain creativity and innovation possible (OECD, 2001)
between regions and cities on supranational level within the thematic poles related to the Lisbon and Gothenburg priorities.

Moreover, with the insertion of territorial cohesion in the text of the Lisbon Treaty (Art. 2, 6, 16, 58, Lisbon Treaty 2007), the Commission intensified its efforts for the conceptualisation of territorial cohesion and definition of its operational tools by publishing the Green paper (European Commission, 2008), on which the public consultation was closed on February 28, 2009. This also means that the competences of the EU in this field are explicitly recognised and, once the treaty enters into force, the choice of appropriate policy instruments will be suggested at the EU level, while the competitiveness and sustainability goals are at the core of this document.

Thus, in the context of the described above policy process, a multifaceted entrenchment of the Lisbon priorities and the ideas of territorial governance in the EU have been achieved. It confirms that despite the complexity of the task to improve Europe’s higher competitiveness on a global scale by combining measures enhancing competitiveness and cohesion, there is readiness on the part of the member states and sub-state authorities to join their efforts. If, at the current stage, the European Commission continues to underestimate the potential of this process, it risks to loose an important tool for the Lisbon agenda implementation. As far as cohesion policy is concerned, a number of important aspects can be pointed out.

It is quite clear that the implementation of the Lisbon strategy through territorial governance mechanisms consolidated in the context of EU cohesion policy cannot avoid strong political conflict not only about the distribution of financial resources between States but also about balance of competencies and powers between different levels of government. In fact, wider decentralisation of implementation competencies to member states is perfectly justified by the decision to move the bulk of financial resources to the poorest regions. In more concrete terms, this means that during the period 2007-2013 around 81% of the Structural Funds - whose total amounts to 301,403 billion euro – will be spent on the territory of the new member states, while the rest is divided between the Competitiveness (15,75%) and Territorial Cooperation (4,5%) objectives, for which all EU regions are admissible.

As a consequence, the degree of EU regulatory pressure on the policy framing and implementation mechanisms in EU-15 countries will decrease. In fact, the principles of proportionality and subsidiarity are strongly highlighted in the new Structural Funds regulations. For this reason, the consensus achieved in the context of the Territorial Agenda can be helpful to ensure the adherence of national government to the objectives of sustainable growth and territorial cohesion. Furthermore, a better understanding of the whole ESDP process is needed. It is important to reveal whether it can potentially it may bring about a paradigmatic change in the approach of EU member states to territorial development policies or it limits to the so-called “thin” learning (Radaelli, 2008).

Another doubt regards the fact that the formulation of the concept of territorial cohesion is going to shift from the intergovernmental to Community decisional arena. As already mentioned, the nature of the ESDP process was intrinsically close to that of the OMC, although it often overlapped with the activities of the EU Commission in the field of cohesion policy, where the Community method was used. It is not clear whether and how the decision to formally insert territorial cohesion in the field of Community competences (Art. 2, 6, 16, 58, Lisbon Treaty
2007,) will change the quality of the member states involvement in the formulation of this concept.

According to some analysts, this latter step is unquestionably important in the evolution of this policy concept, albeit its low relevance from the point of view of policy institutionalization, understood not only as formal rule-making but as symbolic-cognitive process that concerns the diffusion, reach and degree of objectification of understandings of reality and the way these frame – that is, select, define and delimit – understandings about appropriate political agency and desirable policy options (Gualini, 2008: 9).

This aspect is particularly important in view of the fact that states remain key actors responsible for the implementation of the Lisbon goals and for the creation of appropriate partnership in different policy fields. Their internal coordination capacity becomes therefore crucial for enhancing the process of vertical and horizontal networking, and learning at lower territorial levels of public authority. It is up to national governments whether to sustain “programmes and initiatives based on the self-mobilisation, self-activation and self-organisation of actors, targeted at mutually defined performance objectives to be pursued within locally agreed strategic frameworks” (Gualini, 2008); on their decision depends the degree of credibility of EU policy-making, since the process of reinterpreting and adopting EU policy objectives in development strategies at different territorial level is crucial for the legitimisation of Community goals.

**Concluding remarks**

The above analysis of the new EU cohesion policy and of a wider policy process around the concept of territorial cohesion confirms that the adoption of the Lisbon agenda has entailed several transformations in territorial development policies at different territorial levels, although it is yet impossible to foresee the outcome of this interaction.

From a top-down perspective, the new rules of Structural Funds implementation have produced a number of changes in domestic policy designs as far as objectives, principles and procedures are concerned. The strategic priority of the new Structural Funds regulations, to make Europe the most dynamic and competitive knowledge-based economy in the world, has received wide acceptance on the part of EU member states and it was introduced in their National Strategic Reference Frameworks.

However, a more strategic approach adopted by new cohesion policy is going to generate a big variety of policy choices and designs, given its loose regulatory framework and the existing political-administrative and socio-economic diversity of EU states and regions. In fact, some of the new regional and national programmes are more in line with the EU strategy for Growth and Jobs, and have prioritised competitiveness and innovation goals; others choose to concentrate major resources on the investments in the least developed areas, whereas the rest try to find equilibrium between both objectives.

It has also emerged that the intensity of absorption of the priorities established by the renewed Lisbon Agenda is generally proportional to degree of presence of similar imperatives in domestic policy designs. This is especially true for the EU-15 countries where the financial contribution of the EU would be much less substantial as compared to that transferred to new member states. Likewise, the interpretation of operational measures varies not only from country
to country but also between regions.

Such a trend can be seen as a natural and even positive response to the aspirations of stronger ownership and of a necessary adaptation of the Lisbon priorities to local needs and potential, if not for rather contrary results of the analysis that reveals quite a low degree of involvement of regional and local authorities in the implementation of the Lisbon agenda. Sub-state actors say that they are aware of the fact that Structural Funds play important role in the territorial development in the EU, while they do not yet perceive the Lisbon strategy as part of this process. This is rather surprising, considering that already in the programming period 2000-2006, the Lisbon related objectives were broadly introduced into the programmes and around 80% of the actions under Objective 2 were in line with the Lisbon strategy.

These results mean that a considerable effort is still needed to reach regional and local actors and to establish a more effective channel of communication and interaction between them and EU institutions in order to guarantee better effectiveness and legitimise the implementation of the Lisbon objectives.

The new cohesion policy tries to contribute to the achievement of these objectives through the strengthening of its own territorial dimension. The repeal of the micro-zoning introduced by the new SF regulations is an important provision in this sense. According to the new rules, regional governments acquire full autonomy and responsibility for the definition of local partnerships and their involvement in the design of development projects. This rule, regarding first of all the regions covered by the Competitiveness and Jobs Objective, invokes the potential of regions as action-spaces, in which the combination of actors, institutions and interests determines endogenous regional development and its competitiveness on the external arenas. It is suggested (European Commission, 2007b) that the goodness of the new development projects and their administration should be measured not only by the output of regional economic performance, but also by such qualities like coherence, inclusiveness and sustainability, which should boost the endogenous potential of territorial units.

The relevance of the territorial dimension for the achievement of the Lisbon goals is also confirmed by the evolution of a bottom-up process that has developed within the framework of the initiatives related to the EU Territorial Agenda. This process has already produced some important results in terms of conceptual and practical learning for public and private actors who are involved in the formulation and implementation of territorial development policies at different territorial levels.

However, the potential of these actions in terms of the knowledge transfer between regional and local governments, civil society and private actors from EU member states and neighbouring countries has been underestimated in both original and renewed versions of the Lisbon strategy. These strategic documents disregard the valuable experience of the above actions in building trans-nationally shared strategies for solving problems of common concern and creating stable multilevel institutional structures that enable coordination. The explicit recognition of the importance of regional and local authorities in delivering growth and jobs, along with the mentioning of the territorial cohesion among the key variables contributing to the fulfilment of the Lisbon objectives (European Council, 2008), is a necessary, but not sufficient, step to improvement in this sense.
References


European Council (2008), Presidency Conclusions, Brussels European Council, 13/14 March.


