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## Country report on achievements of Cohesian Policy 2007 - 2013. A report to the European Commission.

Broersma, L.; Edzes, A.J.E.

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**EXPERT EVALUATION NETWORK  
DELIVERING POLICY ANALYSIS ON THE  
PERFORMANCE OF COHESION POLICY 2007–2013**

**TASK 2: COUNTRY REPORT ON  
ACHIEVEMENTS OF COHESION POLICY**

**NETHERLANDS**

**VERSION: FINAL**

**DATE: NOVEMBER 2010**

**LOURENS BROERSMA AND ARJEN EDZES  
UNIVERSITY OF GRONINGEN/ ECONOMIC GEOGRAPHY**

**A report to the European Commission  
Directorate–General Regional Policy**

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## LIST OF ABBREVIATIONS

AIR – Annual Implementation Report

CPB – Netherlands Bureau for Economic Policy Analysis

ERDF –European Regional Development Fund

ESF – European Social Fund

EU – European Union

MTR – Mid Term Review

NSR –Nationaal Strategisch Referentiekader (National Strategic Framework)

OECD – Organisation for Economic Co-operation and Development

OP – Operational Programme

SME – Small and Medium Enterprise

## EXECUTIVE SUMMARY

- The central aim of both national and regional policy in The Netherlands is to enhance national competitiveness. In this respect, the policy has the following distinctive characteristics:
  - All (four) regions have the same priorities, i.e. stimulating innovation, entrepreneurship and the knowledge economy (priority 1), improving the attractiveness of regions (priority 2) and improving the attractiveness of cities (priority 3).
  - All regions profit from EU funding, no area is excluded.
  - Both national and regional policy is directed at improving 'area based economic opportunities' and not at reducing regional disparities, which are from an EU perspective, relatively small in The Netherlands anyway.

The contribution of the ERDF, for which the objective is regional competitiveness and employment, combines well with both the national and regional priorities, which themselves are aimed at the Lisbon agenda.

- After a slow start, mainly because of delays in the approval of the Operational Programmes, progress in implementation in the 2007–2013 period is good. Of a total operational budget of EUR 2 billion, approximately 80% has already been allocated to approved projects. Of the EUR 830 million of the ERDF, around 55% has been committed. Half of the ERDF funding is allocated to projects linked to enterprise support and a quarter is directed towards territorial development. A key element is boosting projects within priority 1, especially support of innovation in SMEs.

All regions have suffered from the economic crisis although in some cases this also led to more applications for funding from companies that lack finance for innovation. No substantial adjustments have been made to regional policies as a consequence of the economic crisis.

The success of implementation has its downside in the level of certified eligible expenditure and the implementation rate. These are low, which means that a lot of effort needs to be put into bringing projects to which funding has been committed into operation.

- The output and results reported in the AIRs are based on 'committed' projects. In some cases, for example in the Northern region, they exceed expectations, in other cases, mainly in priority 2 and 3 areas, they are in line with the share of commitment in projects and some work needs to be done.

- In general, no effects of interventions are mentioned apart from performance in implementing programmes. In fact, as yet no (midterm-, project- or programme) evaluations have been carried out. This leaves us blindfolded in assessing the effects of interventions, the contribution of the EU-funding to sustaining economic development and improving the quality of life and the role of the ERDF in combating the after-effects of the economic crisis. Use of evaluations from the 2000–2006 programming period is not possible, because these were all performed at the programme level and extending the results of evaluations from the previous period to the current one requires that they relate to the project level since the content of programmes has changed.

## SECTION 1 – SOCIO–ECONOMIC CONTEXT

### Regional disparities and development

From an EU perspective, regional disparities in population density, educational attainment, (un)employment and economic growth in The Netherlands are relatively small (Raspe & Van Oort, 2007; CPB, 2006; IBO, 2004). From a national perspective, they are substantial and have their origins in the historical and cultural development of regions, the structure of industry and its geographical location across the country (see Table 1<sup>1</sup>).

In the NSR (2007) the country is divided into four regions. The North (the provinces of Groningen, Friesland and Drenthe) can be characterised as the most rural and least urbanised region in The Netherlands. Traditionally, it has the lowest population density, the lowest participation rate and the highest unemployment rate, though over the past decade the North has caught up with the national average. Policy measures to strengthen the economy have paid off. The strength of the North is the availability of a substantial pool of labour, good accessibility, large number of industrial locations, low house prices and high quality of air, water, countryside and nature. There are a few economic clusters, mainly around the University of Groningen, specialised in energy, sensor technology and water technology.

The West (the provinces of Zuid–Holland, Noord–Holland, Utrecht and Zeeland) are characterised by a concentration of urban agglomerations (around Amsterdam, Den Haag, Rotterdam and Utrecht) with a relative young and highly educated workforce in internationally competitive (economic) clusters. There is a high concentration of business activity, knowledge institutes and urban facilities and amenities. The downside is the threat to the quality of life, traffic congestion, pressure on the environment and the quality of air and soil, together with high house prices. Nevertheless, the West is a major engine of economic growth.

The South (the provinces of Noord–Brabant and Limburg) can be divided between the South–West with a strong emphasis on processing industry, logistics and tourism, and the South–East with a strong high–tech sector, food industry, medical technology and life sciences. Although the knowledge base in the Southern region is high, it has not so far led to high economic and employment growth, with apparent difficulties in translating knowledge into commercial success.

The East (the provinces of Overijssel, Gelderland and Flevoland) combines an attractive living environment – that attracts a lot of tourism – with specialised knowledge institutes and

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<sup>1</sup> See Excel file for Table 1.

economic clusters specialising in food, healthcare and technology. (See Table 1 for statistical information on the above provinces).

Although the four regions differ substantially, the essence of regional policy is not to tackle their weaknesses but instead to enhance their strengths. In 2006, the main focus of regional-based programmes shifted from reducing economic deficits to stimulating economic opportunities. This national strategy is translated into policy at regional level in the form of the so-called 'Area-based Economic Opportunities'.

### **Macro-economic context and development**

The global crisis caused a deep recession in The Netherlands despite decisive government intervention to support the financial sector and a timely fiscal stimulus. According to the OECD (2010) the increase in unemployment was surprisingly mild, reflecting, among other factors, the existence of an overheated labour market before the crisis took effect. Growth recommenced in mid-2009. Looking ahead, the recovery is expected to proceed relatively slowly (CPB, 2010; OECD, 2010). Recent figures confirm this. Economic growth in the second quarter of 2010 is estimated at 2.2% compared to a year ago (Statistics Netherlands), though this is above the EU-average of 1.7%. Because of the openness of the Dutch economy, an increase in exports is one of the main drivers of economic growth. (See Table 2<sup>2</sup> for some key macroeconomic figures for the period of 2000-2009.)

The economic crisis has (had) a differential effect on regions, though every region suffered from the recession (NSR, 2010, regional AIRs, 2010). Figure 1 shows the annual regional economic growth of the provinces in 2007-2009. There was indeed a clear turnaround in growth in 2009 for all the provinces. Because of regional differences in the industrial structure, some regions suffered more than others. The South, for example, with a large share of manufacturing (in chemicals, electro-technical, machinery and transport equipment) suffered most. The province of Flevoland also suffered because of the importance of the financial sector in Almere, its main city. In contrast, provinces in the West and North suffered less, mainly because of their focus on services (commercial in the former, non-commercial in the latter).

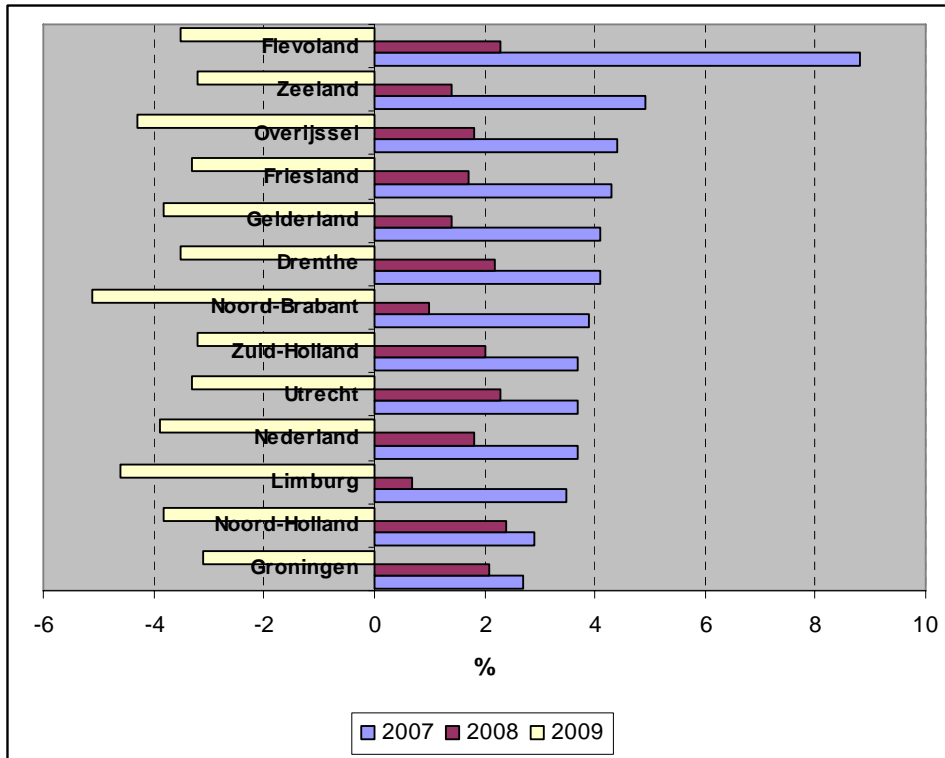
Although the crisis has led to budgetary constraints at the national level, these have not reduced the national and regional funding available for regional policy, at least, not up to now. There has, however, been wide consideration given to budget cuts across most policy areas, though which options will be chosen is for the new government, which is still being formed after the election in May, to decide.

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<sup>2</sup> See Excel file for Table 2.



**Figure 1 – Regional economic growth in constant prices in The Netherlands, excluding winning of natural gas, 2007–2009**



Source: Statistics Netherlands

At the regional level, provinces have taken measures to counter the crisis. The common denominator of these measures is an acceleration in the pace of investment. Investment (mainly in infrastructure projects, but also the restructuring of industrial sites) that was planned in 2011, for example, is being undertaken a year earlier. There are also differences. The province of Noord-Brabant has chosen instead to focus support on companies and loans instead of investment. Provinces also differ in the amount of money they have invested. The fact that the economic crisis has not affected the budgets available for regional policy will become clear when the implementation of programmes is considered below.

## SECTION 2 – THE REGIONAL DEVELOPMENT POLICY PURSUED, THE EU CONTRIBUTION TO THIS AND THE POLICY ACHIEVEMENTS OVER THE PERIOD

### THE REGIONAL DEVELOPMENT POLICY PURSUED

In 2006, the main focus in regionally-based programmes shifted from reducing economic deficits to stimulating economic opportunities. This national strategy is now translated into

policy at the regional level in the form of the so-called 'Area-based Economic Opportunities'. The intention is for each region to focus on industries and economic clusters in which they excel. The national aim of Cohesion Policy is to strengthen national competitiveness (NSR, 2007). Hence, the challenge is to increase economic growth in all regions, not just reducing economic differences between regions. In The Netherlands, there are Operational Programmes for each of the four regions, North, West, South and East. In all the programmes, there are the same three priority-axes:

1. Innovation, entrepreneurship and the knowledge economy
2. Attractive regions
3. Attractive cities

Within each of these axes, the regions apply different policies depending on the way each priority fits their focus on area-based economic opportunities, which for the most part are determined at national level. In total EUR 830 million of the ERDF was allocated for the whole period 2007–2013. (In addition, another EUR 830 million of the ESF was allocated, but analysis of this is beyond the scope of the present study.) Table A shows that half the ERDF is allocated to priority axe 1: innovation, entrepreneurship and the knowledge economy, and a quarter to each of the other two axes. This division roughly applies to all the regions.

**Table A – Main priorities in regional development policy 2007–2013**

Type	Total allocation		North		West		South		East	
	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%
Total	1,969	100	373		770		363		462	
ERDF	830	42	169	46	311	40	164	45	186	40
National-public	963	49	187	50	393	51	176	49	207	45
National-private	175	9	16	4	67	9	23	6	70	15
Priority 1 Innovation, entrepreneurship and knowledge economy	1,003		190		369		212		232	
ERDF	431	43	95	50	148	40	95	45	93	40
National-public	423	42	81	43	177	48	95	45	70	30
National-private	149	15	14	8	44	12	21	10	70	30
Priority 2 Attractive regions	435		85		134		100		116	
ERDF	178	41	34	40	54	40	45	45	45	39
National-public	249	57	50	59	72	54	55	55	71	61
National-private	9	2	1	1	8	6	0	0	0	0
Priority 3 Attractive cities	464		85		242		38		99	
ERDF	188	41	34	40	97	40	17	45	40	41
National-public	259	56	50	59	131	54	19	50	59	59
National-private	17	4	1	1	15	6	2	5	0	0

Source: DG Regio

The Netherlands participates in 7 European Territorial Cooperation programmes, with total financing of EUR 247 million from the ERDF (there is no information available on national funding). Table B shows the main priorities. The main focus is on innovation and the knowledge economy, the environment and society. Because the managing authority responsible is not located in The Netherlands, cross-border activities are not examined here. The conclusion in the NSR (2010), however, is that in general implementation is on schedule, but some programmes, especially Euregio, Deutschland-Nederland and 2 Zeeën, need attention because of the slow rate of implementation.

**Table B – Main priorities in regional development policy**

Type	Program	Priorities
Cross-border cooperation (INTERREG A)	Vlaanderen-Nederland	- better connection at national policies
	Euregio Maas-Rijn (EMR)	- focus on innovation and knowledge economy
	Deutschland-Nederland	- integrated projects / coherence projects
	2 Zeeën (2 Seas)	- improvement structure of programs for major projects
Transnational cooperation (INTERREG B)	North Sea	- continue building on capacity for innovation - promoting sustainable management of milieu - improvement of areas in North Sea Region - creation of attractive live – and workplaces
	North-West Europe	Emphasis on themes like innovation, milieu, accessibility and sustainable urban environment
Interregional cooperation (INTERREG C)		Emphasis on themes like innovation, knowledge economy, milieu and risk prevention

Source: DG Regio

In our opinion, the financial allocation reflects the stated objectives of policy both between and within policy areas. First, the four regions that receive funding cover the whole country. So everyone benefits from EU funding. Secondly, the regions have the same priorities, which are part of the strategy of mixing regional, national and EU sources of finance in integrated programmes, directed towards the overall goal of enhancing the competitiveness of The Netherlands. Thirdly, regional policy is not based on problem areas but on economic opportunities. Part of the reason for this is that from an EU perspective regional disparities are relatively small. But it is also the case that, according to national policy, it is better to focus on strengths rather than weaknesses, which helps in the pursuit of goal of strengthening national competitiveness.

So from these perspectives, the financial allocation reflects the stated objectives of policy. Every region receives a budget according to their size in terms of its population and the division of funding is in line with the overall emphasis on innovation, entrepreneurship and the knowledge economy. There are different emphases between regions in the division of funding between ‘attractive regions’ (priority 2) and ‘attractive cities’ (priority 3), though this largely reflects the degree of urbanisation of regions.

The NSR (2010) concludes that the four regional programmes have the same overall priorities and because of their focus on the Lisbon-agenda they connect perfectly with the national agenda of improving the climate for innovation. This is also our conclusion. EU funding complements national funding and perfectly matches the national and regional aims of stimulating innovation and improving the attractiveness of regions and cities.

As regards supporting regional development, EU funding acts like a multiplier, certainly in respect of innovation. Looking at project commitments, it is evident that they meet the needs of regions. In some cases, as in the Northern and Southern regions, the number of applications for support for 'Innovation, entrepreneurship and the knowledge economy' (priority 1) exceeds the budget available and applications had to be closed in these regions (NSR, 2010). Another sign is that in the majority of regions private co-financing is high, which while not saying anything about the eventual outcomes, implies that EU funding is in line with demand for support.

There have not been any modifications as yet in the relative importance of the different priorities. Only in the Northern region has an adjustment been made as a result of the European Economic Recovery plan, which was a response to the crisis. This involved allocating part of the ERDF (EUR 6.7 million) to energy saving measures.

## **POLICY IMPLEMENTATION**

There are regional differences with respect to the implementation of ERDF programmes. Table C shows the key figures and gives rise to three conclusions. First, there were a total of around 600 projects to which funding had been committed at the beginning of June 2010 and the implementation of these is on schedule. Of a total operational budget of EUR 1.9 billion, 87% has already been committed to projects. In the North and South especially, calls on the operational budget exceed initial expectations, mainly because of an overwhelming number of projects in 'Innovation, entrepreneurship and knowledge economy' (priority 1). The project commitment rate in 'Attractive cities' (priority 3) is somewhat lower.

Secondly, looking at the committed ERDF budget, a further conclusion is that implementation is proceeding well (58% of allocations), but that there is still much to be done to achieve the targets that have been set. The North and the South are the most successful regions in this respect; the East is lagging behind, mainly because of fewer projects in 'Attractive regions' (priority 2) and 'Attractive cities' (priority 3). The region explains this by the economic crisis and delays by cities in developing projects.

Thirdly, considering certified, eligible expenditure relative to the implementation rate, it is evident that much remains to be done in implementing projects which have been approved.

The main success story as regards implementation concerns 'Innovation, entrepreneurship and knowledge economy' (priority 1). In the North and the South, the available budget has already

been assigned and in the West and East, implementation is proceeding well. The development of projects in 'Attractive regions' and 'Attractive cities' is slower, but according to the NSR it is in line with expectations (NSR, 2010). Many projects in this area need a relatively long preparation time, because they involve the planning and construction of infrastructure. On the other hand, in some cases, the number of projects filed for application, for instance, in respect of the restructuring of industrial sites, has fallen short of expectations. So a mixed picture emerges when the lower commitment rate in 'Attractive regions' and 'Attractive cities' is examined in more detail.

Certified eligible expenditure and the implementation rate nevertheless provide information about the actual spending taking place. Even though regions have assigned most of their funding to various projects, the main task now is to ensure that these are carried out.

**Table C – Operational and committed overall and ERDF budget, expenditure and implementation rate by priority**

	Total	North	West	South	East
Operational budget (EUR million) <sup>1</sup>	1,968	373	770	363	462
Total budget committed (EUR million) <sup>2</sup>	1,708 (87%)	544 (146%)	535 (69%)	425 (120%)	204 (44%)
ERDF-budget	830	169	311	164	186
Total ERDF-budget committed (EUR million)	484 (58%)	133 (78%)	175 (56.3%)	116 (71%)	60 (33%)
Certified eligible expenditure (EUR million) <sup>3</sup>	121	31	48	20	23
Implementation rate (in perc.) <sup>4</sup>	6.2%	8.4%	6.2%	4.3%	6.5%
Priority 1	Total	North	West	South	East
Operational budget (EUR million) <sup>1</sup>	1,003	189	369	212	232
Total budget committed (EUR million) <sup>2</sup>	1,044 (104%)	362 (191%)	293 (80%)	254 (120%)	135 (58%)
ERDF-budget	431	95	148	95	93
Total ERDF-budget committed (EUR million)	283 (66%)	82 (87%)	89 (60%)	66 (70%)	45 (48%)
Certified eligible expenditure (EUR million) <sup>3</sup>	68	14	25	8	18
Implementation rate (in perc.) <sup>4</sup>	6.8%	8.4%	6.8%	3.5%	8.9%
Priority 2	Total	North	West	South	East
Operational budget (EUR million) <sup>1</sup>	435	85	134	100	116
Total budget committed (EUR million) <sup>2</sup>	360 (83%)	112 (132%)	92 (69%)	109 (108%)	47 (40%)
ERDF-budget	178	34	54	45	45
Total ERDF-budget committed (EUR million)	91 (51%)	24 (71%)	30 (57%)	24 (54%)	13 (28%)
Certified eligible expenditure (EUR million) <sup>3</sup>	8	5	0.4	1.9	.
Implementation rate (in perc.) <sup>4</sup>	1.8%	6.2%	0.4%	1.7%	.
Priority 3	Total	North	West	South	East
Operational budget (EUR million) <sup>1</sup>	464	85	242	38	99
Total budget committed (EUR million) <sup>2</sup>	249 (54%)	56 (67%)	125 (52%)	46 (123%)	22 (22%)
ERDF-budget	188	34	97	17	40
Total ERDF-budget committed (EUR million)	83 (44%)	20 (58%)	43 (44%)	17 (105%)	3 (7%)
Certified eligible expenditure (EUR million) <sup>3</sup>	42	9.4	22	7.3	3.2
Implementation rate (in perc.) <sup>4</sup>	9%	11.1%	9.0%	7.5%	8.4%

<sup>1</sup> Source: DG Regio. Operational budget is the sum of EU-amount and the national public and private amounts.

<sup>2</sup> Source: Received data from regions, June 2010

<sup>3</sup> Source: DG Regio

<sup>4</sup> Source: DG Regio

A different way of looking at implementation is to consider the different policy areas. The largest share of the ERDF (55%) in committed projects is allocated to enterprise support, as would be expected given the focus on innovation and entrepreneurship. Support for innovation in SMEs especially accounts for the largest share in all regions.

Territorial development accounts for the second largest share in terms of committed expenditure (24%), though there are regional differences in this respect. The North is mainly focusing on Tourism and cultural activities, while the other regions are also undertaking projects on Planning and Rehabilitation and Social Infrastructure.

**Table D – Allocated ERDF budget in committed projects by policy area (EUR million)**

	Total	North	West	South	East
Total ERDF allocated	830	169	311	164	186
Total ERDF committed in projects	484 (58%)	133 (79%)	175 (56%)	116 (71%)	60 (32%)
Enterprise environment <sup>1</sup>	266 (55%)	76.9 (58%)	84 (48%)	65.3 (56%)	40.2 (67%)
RTDI and linked activities	65	22	13	9.4	20.7
Support for innovation in SMEs	180	54	59	48	19.2
Other investment in firms	16	0.8	7	7.7	.2
ICT and related services	5	0.3	4		
Human Resources <sup>1</sup>	15 (3%)	3.9 (3%)	8.1(5%)	1.9 (2%)	0.04
Education and training	9.8	2.9	4.6	1.4	0.04
Labour market policies	5.1	0.9	3.6	0.5	
Transport <sup>1</sup>	23.8 (5%)	3.6 (3%)		12.9 (11%)	7.2 (12%)
Rail	1	1			
Road	6.3			4.3	2
Other	16.5	2.6		8.6	5.2
Environment and energy <sup>1</sup>	34 (7%)	7.2 (5%)	19.7 (11%)	4.2 (4%)	3.3 (6%)
Energy infrastructure	22.7	2.4	15.7	4.2	0.4
Environmental infrastructure	11.6	4.7	4	0.05	2.9
Territorial development <sup>1</sup>	118 (24%)	34.5 (26%)	50.7 (29%)	24 (21%)	8.7 (15%)
Tourism and culture	72.7	33.3	25.6	9.9	3.8
Planning and rehabilitation	39		22.3	13.3	3.3
Social infrastructure	6.5	1.2	2.8	0.8	1.7
Technical assistance	27.7 (6%)	6.7 (5%)	12.4 (7%)	7.4 (6%)	1.2 (2%)

<sup>1</sup> Percentages are the share of the absolute amount by total ERDF committed in projects. Source: Regions, June 2010

It is not clear what causes the differences between regions in their commitment and implementation rates. Usual suspects are the longer preparation time of projects, their financial scale, differences in priorities as well as in the structure of the regional economy and of clusters, the effect of the economic crisis and simple failure to establish partnerships and cooperation for developing projects.

There is little sign that expenditure and/or commitments fall significantly short of what was required at the start of programmes. The overall picture that emerges from the NSR (2010) and the AIRs (2010) is that after a slow start at the beginning of the period, mainly because of late approval of the Operational Programmes, the regions are making relatively good progress in developing and implementing all kinds of project.

It is perhaps surprising that despite the global crisis and unfavourable economic circumstances, the implementation of Cohesion Policy is on schedule. The South reports that the crisis has had some effect, in that they have received more applications for enterprise support measures, which in their view might be a consequence of companies looking for finance in order to innovate. For these companies, the crisis is seen as an opportunity to become more robust. Another explanation is that one of the consequences of the credit crunch was the reluctance of banks to lend and the ERDF represents an alternative source of obtaining finance.

Another consequence of the crisis is, however, that project developers have encountered financial problems so that some (mainly infrastructure) projects have had to be delayed or even terminated. The East reports delays in the case of priorities 2 and 3 to be a result of the crisis, because regional and local public authorities have redistributed funding to other projects to combat its effects. There are also some cases of cities being cautious about investing in long-term projects and so refraining from initiating new one.

### **ACHIEVEMENTS OF THE PROGRAMMES SO FAR**

Table E shows the aims and expected output from committed projects by priority and region. Again, this is based on commitments, not on projects which have actually been carried out. Nevertheless, it gives an indication of what to expect when committed projects are undertaken. The North has achieved – and sometimes exceeded – almost all targets in relation to committed projects. For the West, the South and the East, the same holds for priority 1. For priorities 2 and 3, outputs are lagging behind, but this is mainly due to a generally lower level of commitments (see Table C).

Again, there is no clear picture of what causes the differences between regions with respect to their commitment and implementation rates.

The measures and projects being funded are in line with the policy objectives set. This is certainly true if the operational budgets by priority (Table C) and the allocation of the ERDF by policy area are examined, where support for the overall aims of boosting innovation, entrepreneurship and territorial improvements are evident.

We can also conclude that the actual projects within each of the priority axes match the objectives set. Sometimes it is arbitrary whether an investment is driven by innovation or by the need to survive the economic crisis, as in the South, where there were many more applications for enterprise support than the funding available. Considering the success of innovation measures, we do not have the impression that other ways or other types of projects would lead to higher output.

**Table E – Aims and realizations in output indicators, by priority and region.**

	North		West		South		East	
	Targets	Expected output	Targets	Expected output	Targets	Expected output	Targets	Expected output
Priority 1								
Number of R&D projects	20	13	121	130	350	354	15	268
R&D investments (private) EUR million	20	37	48	2.5	100	101	10	83
R&D investments (public) EUR million	20	83			20	25	10	38
Induced private inv.(EUR million)		255	31	4.3			25	79
Support of start-ups (nr.)	60	301	268	392	250	2279	150	324
Support of SME (nr.)	1,000	3986	535	2,073	1,200	3,352	2,000	845
Number of collaborations	6	45	88	96	275	468	100	285
Gross employment creation (FTE)	1,500	4,599	3,120	317	510	4,245	900	6,690
Priority 2								
Induced private inv.(EUR million)		21						
Support of start-ups (nr.)		318						
Nr. of projects Nature/landscape			41	0	30	7	14	6
Nr. of projects Livability	3	7						
Nr. of projects Tourism	6	6	35	0	40	16	10	11
Nr. of projects Accessibility	6	6			20	3	10	20
Restructuring industrial sites (ha.)	150	135	88	0	600	377	200	158
Nr. of projects Milieu	3	3	104	6	10	6		
Nr. of projects alternative transport							10	4
Nr. of projects renovation urban fac.							25	7
Gross employment creation (FTE)	500	1,876	1,340	6	250	873	1,250	366
Priority 3								
Support of start-ups (nr.)							30	5
Support of SME (nr.)							30	20
Induced private inv.(EUR million)		4.9						
Nr. of projects Tourism		1						
Restructuring industrial area's (ha.)							10	0
Restructuring industrial loc. (m2)	150	0	146k	3k	38k	8k	200k	4,8k
Nr. of project Entrepreneurship			35	16	50	6	25	3
Nr. of projects Livability			84	10	40	5	25	2
Nr. of projects renovation urban fac.	5	4	40	8	48	19	10	13
Gross employment creation (FTE)	500	67	2,420	81	220	174	25	37

Source: AIR Regions, 2010

It is hard to say whether output and results are in line with funding. In general, the simple fact is that committed projects are in line with the priorities chosen, which themselves are in line with national policy and the Lisbon agenda. As indicated, the progress of implementation seems to be on track. Nevertheless, the output and results reported are based on committed projects and not on their actual execution. If the latter turns out to be in line with committed projects then outputs and results will be in line with funding.

There is no other evidence available on the intended effects in the different policy areas apart from those reported by the regions in their AIRs. Several reasons for divergences from planned output are reported by the regions, which in sum, relate to:



1. The economic crisis. In some cases, public authorities have been cautious about investing or they redirect funding, and in some cases, private project managers have had to delay or stop investment.
2. The nature of the projects developed, some of them contributing little to outputs as measured.
3. The long term development of projects. In some cases, projects, infrastructure ones especially, require a long time span at the preparation and planning stage. In these cases, the current state of affairs is not an accurate picture of what is likely to happen in the near future.
4. Lack of projects developed in certain policy areas. There all kinds of reason for this, from 'lack of communication' to 'little attention being paid to projects in these areas at present'.

The impression gained is that standard measures of support are being used, mainly in the form of non-repayable grants. All regions apply systems for enterprise support under which companies can file a request for subsidy so long as they meet certain criteria.

There are several problems reported by regions, although the overall picture is that these are not significant:

1. Closure of funds. In some cases the closure of a measure, because it reaches its ceiling, is reported as a problem. From another perspective, it can also be perceived as a success.
2. The N+2 rule is reported as being a constraint by some regions, some of which, especially the North, had problems in spending within the time allowed by the rule. As a consequence, de-commitment of projects is possible.
3. Estimation problems. Because of the lack of experience with projects under 'Innovation, entrepreneurship and the knowledge economy', it is reported that it is difficult to estimate output indicators accurately.
4. The precise definition of output indicators. All regions mention problems of interpreting and measuring output indicators, especially in 'Innovation, entrepreneurship and the knowledge economy'. For example, it is not clear how the support of projects should be measured, whether by counting the total number of companies supported, including all those in a partnership or only the partnership as a whole.

The last two problems suggest that given the discussion now taking place over the exact definitions of indicators plus the mid-term review this year, there could be an adjustment of the estimation of outputs.

## SECTION 3 – EFFECTS OF INTERVENTION

In general, there are no effects of interventions mentioned in the AIRs apart from the performance in implementing the programmes. To assess the effects of interventions, a distinction can be made between five levels:

1. The national level: the question here is whether EU Cohesion Policy contributes to the overall national and EU aims of strengthening the competitiveness of the Dutch economy. In the current period no mid-term or ex-post assessments have been made, only ex-ante expectations which are – evidently – positive. There is some information however from the previous period (2000–2006). A study of the Netherlands Bureau of Economic Policy Analysis (CPB) is critical of the effects of Cohesion Policy in reducing regional disparities: ‘It is unclear whether cohesion significantly enhances economic growth. In particular, the more independent (of policy) convergence one presupposes, the less well cohesion support appears to work’ (CPB, 2002).
2. The regional level: the question here is whether EU funding contributes to overall regional aims, which are often economic growth, increasing innovation and so on. Also in this case no mid-term or ex-post assessment have yet been made, only (evidently positive) ex-ante expectations. The qualitative assessments made in the AIR and NSR for 2010 are also positive. The effect of interventions is to increase the innovative capacity of regions, but this judgement is mainly based on committed projects as noted above. Some information is also available for the previous period (2000–2006) in this case. The Northern region, for example, concluded in a recent evaluation study that the differences between the region and the national average have diminished, but not disappeared. The conclusion is that regional policy works, although the stimulation of innovation shows a mixed picture (EIM, 2010).
3. The level of the Operational Programmes (OPs) in general. The question here is whether the OPs are on schedule and in line with what was planned and, most importantly, whether the OPs contribute to the regional, national and EU aims. As before, in the current period no mid-term or ex-post assessments have been made so far. The qualitative assessments made in the AIRs and NSR for 2010 are positive. The programmes are on schedule and are meeting the needs of the regions concerned given the overall commitments of projects. This is also the conclusion of the mid-term reviews of the OPs in the previous programming period. Again, the question whether the OPs contribute to regional and national objectives has not yet been assessed in a solid, scientific, evaluation.
4. The level of programme lines. The question is here whether programme lines (for example the priority axes or other classifications) are on schedule and in line with what

was planned, as well as in this case whether the programme lines contribute to the objectives set. We do not know of any specific evaluations of the different programme lines. Of course there are many evaluation studies of innovation<sup>3</sup>, but whether the programme lines in the OPs contribute to the overall level of innovation is difficult to assess.

5. The level of projects: at the lowest level the question is whether individual projects are on schedule and in line with what was planned, as well as whether they contribute to the objectives set. Table F shows that there are approximately 600 projects eligible for ERDF support. Some of these projects are general in nature (for example credit facilities for companies) in which it is possible that a lot of companies file a request for subsidy. The sheer number and diversity of projects makes it hard to make individual assessments of the effects at project level.

**Table F – Total number of projects**

	Netherlands	North	West	South	East
Total number of projects	597	83	99	364	51
Priority 1	471	59	48	334	30
Priority 2	68	15	20	16	17
Priority 3	58	9	31	14	4

Source: regions, June 2010

There are no studies on the (additional) impact of projects on the development of regions in the current period. We know only of a Northern study in which the effects of regional policy on regional economic growth have been evaluated. Nevertheless, this study is at a high level of aggregation and is not about the impact of projects or programmes, its main purpose being to legitimise policy interventions in the region as a whole.

With respect to the contribution of the EU to counteracting the recession, the impression gained is that it is in fact the other way around. Provinces have responded to the economic crisis by investment programmes in which they have brought forward all kinds of already planned (infrastructure) projects. The main reason for this is to prevent layoffs, particularly in construction. In some cases, this means additional co-financing to develop projects, like the restructuring of industrial areas. In other cases, public authorities had to redirect public funds or reconsider investment, which may have led them to be cautious about long-term investment, as was the case in cities in the East.

In general, therefore, not much can be concluded about the interrelationship between the economic crisis, investment programmes and the contribution of EU funding. Time will tell if there has been some kind of reinforcement of investment programmes.

<sup>3</sup> See for instance: <http://www.proinno-europe.eu/appraisals/ipar?country=NL>

It is evidently the case that EU support boosts innovation projects and gives opportunities for Dutch regions to invest in economic clusters, such as energy, water, healthcare and so on. There is however no solid empirical evidence on whether this support has been sufficient for individual regions to respond to their long-term challenges.

## SECTION 4 – EVALUATIONS AND GOOD PRACTICE IN EVALUATION

At present, no (midterm, project or programme) evaluations have been carried out for the present programming period. It is, therefore, not possible to assess the effects of intervention, the contribution of EU funding to sustaining economic development and improving the quality of life or the role of the ERDF in counteracting the effects of the economic crisis.

In 2008, the regions started to develop an evaluation plan (shown in Table G).

**Table G – Schematic Evaluation plan Operational programmes 2007–2013**

Evaluation plan	When	Scope	Research questions
Ex ante	2007		
Guidelines indicators	March 2009		1. What are realistic values for a calculation of expected numbers of jobs? 2. What are adjustment factors for calculation of gross versus net jobs?
Program specific (theme) evaluations	From 2010 (when OP is being changed)	Thematic and concrete for foundation for adjustments in OP	1. Are program targets realized? 2. Are there reasons to change the program, and if what will be the changes?
National Strategic Report	End 2009	All four operational programs	- Realization of targets and aims (national and regional)? - Commitment partners and industries? - Lisbon earmarking? - Visibility of results?
Evaluation of organization, control and institutional arrangements Cohesion fund	First half of 2010		- Does the audit organization and coordination meet the aims that are set in the beginning? - Are there adjustments necessary? - Are national guidelines and rules sufficient? Are there adjustments necessary?
Evaluation of ERDF	Second half of 2010	All four operational programs	Midterm review with the main question if the programs are on schedule? What are the differences between the ex-ante evaluation and the current programs?
National Strategic Report	2012	All four operational programs	- Realization of targets and aims (national and regional)? - Commitment partners and industries? - Lisbon earmarking? - Visibility of results?
Ex Post	To be seen		

In the current funding period, no evaluations or studies have as yet been carried out, except the ex-ante evaluations of the OPs. The current situation is that the regions are monitoring their progress, but the results give no cause for adjusting programmes. Only in the South did an interim evaluation lead to a stronger focus on R&D (NSR, 2010). At this moment, a mid-term review is in preparation which will be presented in November 2010.

The most important defect in general evaluations is the failure to assess indirect, deadweight, displacement and substitution effects. The regions are aware of the need to assess these kinds of effect and the fact that the expected output of projects could be biased. They are developing methods for calculating net effects as well as gross ones. The calculation of both effects is based on past experiences, (programme) evaluation studies, cost-benefit analysis and assumptions about the working of measures (Verhoeven et al., 2009). For instance, when an evaluation study of investment in the development of tourism finds that 10% of companies surveyed state that they would invest even without the subsidy, a deadweight effect of 10% can be applied to support of investment in this area. These kinds of finding can be used to adjust gross effects to obtain a more meaningful estimate of net effects.

Empirical assessment of gross and net effects is of course difficult, certainly in a situation where there are more than 600 projects to evaluate. Nevertheless, it seems to be the most important question for evaluations.

A study of available material in the previous period (2000–2006) does not help to assess the effects of policies in certain areas. In the past period, EU funding was spread over five regions, including a separate fund for the largest cities. The overall structure of governance was quite different from that in the present period. The available material consists mainly of mid-term reviews which in general contain judgments on the basis of the achievement of targets and financial commitments. No assessment of indirect, deadweight, displacement or substitution effects was made. Only the mid-term review undertaken for Flevoland contains an assessment of the net effects. There are no evaluations at the project level. In order to use the previous evaluation studies for the current period, there is a need to be able at least to identify (the output of) the projects that have more or less been carried over into the current period. Unfortunately no evaluations at project level were carried out.

Nevertheless, some measures were broadly similar, such as enterprise support schemes or project investment schemes. A study in the North concluded that ERDF measures have been helpful in reinforcing innovation potential and improving the quality and quantity of human resources in the region (Enzing et al, 2008). Similar findings can be found in the MTR of the province of Flevoland, which received ERDF support in the period 2000–2006 as a phasing out Objective 1 region' In this case, a clear added value from EU funding was evident (Haagens et al., 2003). In our view, these are in fact positive qualitative judgments rather than being based on rigorous evaluations.

At an aggregate level, the OECD (2010) concludes that The Netherlands has successfully transformed the strategic approach of its national place-based policies since 2007: 'The increased holistic, cross-sectoral approach of policies promises many policy complementarities at the sub-national level'. In the OECD's view, the place-based policies have been

complementary to other national policies, although they might be more effective if they were even more focused on specific regional comparative advantages. It is beyond doubt that the ERDF has played an important role in stimulating these place-based policies.

### **Setting of objectives**

There is not much discussion between regions whether meaningful targets have been set or whether the right indicators are used. These targets are the result of national choices in consultation with the regions. The discussion is more about the exact definition of indicators, because regions have an impression that these are open to different interpretations. A national study group is trying to tackle this problem, using the 'Indicative guidelines on evaluation methods' produced by the European Commission.

A second question concerns the reliability of the outputs estimated. In some cases, regions believe the expected outputs of beneficiaries are too positive, but it is difficult to correct or to test this. The national study group has developed 'calculation tools' in this regard for better estimating the expected employment effects. Using 'correction factors', it is now possible to take indirect, deadweight, displacement and substitution effects into account and to move from gross to net output effects. Given the lack of the information available so far on this, it is not possible to make an assessment of the validity, or reliability, of the method.

## **SECTION 5 – CONCLUDING REMARKS – FUTURE CHALLENGES**

1. From this analysis, based mainly on available tables, statistics, Annual Implementation Reports and contact with regional managing authorities, the conclusion is that EU funding meets the needs of regions in supporting regional development through many interesting projects that could enhance opportunities for the regions concerned. So far, so good.
2. This assessment, however, is mainly based on project commitments which show a clear and positive picture of the outcomes that can be expected if all of this becomes reality. There is still work to be done, mainly within priority axes 2 and 3, but at this moment we share the positive view that there is time to develop new projects.
3. There is a downside to all of this which concerns the delay in undertaking the intended projects to which funding has been committed. Given the low implementation rate, a great deal of effort is still needed to implement the projects in practice.
4. We are anxious to receive and assess the first independent evaluations. It will then become clearer whether the AIRs are based on solid evidence.

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## **INTERVIEWS**

The following persons were kind enough to help with providing information:

Jelle Wiarda and Luc Hulsman, SNN, representing region Noord

Martijn Panjer, province Gelderland, representing region East

Ruud van Raak, OBR Rotterdam, representing region West

Pieter Liebrechts, Stimulus, representing region South

## **TABLES**

See Excel file for Tables 1, 2, 3 and 4

Table 1: Regional disparities and trends

Table 2: Macro-economic developments

Table 3: Financial allocation by main policy area

Table 4: Commitments by main policy area