

Theoretical principles and practice of EU regional policy monitoring*

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ABSTRACT. The paper explores the practice of monitoring and evaluating regional development policy in the European Union, as well as impact thereof on key indicators of economic and social development both in separate regions and in the EU as a whole. The authors analyzed developments in the regional policy monitoring practice, while also identified peculiarities characteristic of the monitoring process regarding implementation of development programmes and determined main stages of evaluation. The paper specifies basic difficulties in setting up the system of monitoring and evaluating achievement of objectives and coordination of regional programmes. The authors described major disparity in economic and social development of the EU Member States under their development programmes as well as determined main indicators of EU regional disparities. Principles, instruments and mechanisms for monitoring EU regional policy were also defined. The paper analyzes changes in the EU regional development paradigm focusing on the priorities for concentrating financial resources and instruments in terms of cohesion policy.

KEYWORDS. Regionalization, European Union, EU regional policy, funding of regions, EU Structural Funds, EU Cohesion Policy, EU regional development programmes, EU regional policy monitoring, local partnership, funds allocation evaluation practice, coordination of regional programmes, funding additionally.

Introduction

Under contemporary conditions of global economic development and aggravation of the economic crisis phenomena the European Union regional policy paradigm is being transformed, whereby changing the practice of monitoring and evaluating EU regional development programmes, in particular, the new *Horizon 2020* regional development programme adopted by the European Commission on November 30, 2011. The key priority implies unifying funding programmes for research and innovation in the EU, enabling to ensure compliance with the main objectives of promoting economic development and combating social challenges and disparities in the EU 28.

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Neither monitoring nor evaluation of programmes is a new task for national and regional institutions responsible for management of EU Structural Funds. During recent years, the Monitoring Committees have gained experience in both quantitative evaluation of programme goals and objectives and in evaluation of its interim results implying diversion from purely financial monitoring to comprehensive evaluation of implementation results and achievement of objectives under EU regional development programmes. The existing monitoring, control and evaluation procedures undergo transformation and extension aimed at ensuring more effective operation of the Structural Funds. Thus, transformation data imply a more decentralized approach to planning and management of programmes, as well as clearer determination of responsibilities for monitoring and evaluation at EU, national and regional levels.

Within exactly this context the issues of accuracy, parity and consistency of indicators grow particularly important. A number of practical issues arise, such as determining data of indicators to be used in the analysis, as well as quantitative evaluation of goals and objectives under the programme.

With the above taken into account, the paper objective is to study theoretical principles and practice of monitoring and evaluating implementation of the EU regional policy as well as to explore possible optimization thereof in terms of shifting objectives and priorities of regional development programmes in EU Member States.

Regional Policy of the European Union

The European Union has a number of instruments for regional policy implementation: the European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agricultural Guidance and Guarantee Fund (EAGGF), the European Fisheries Fund (EFF). In addition, the Cohesion Fund supports projects in the field of environmental protection and transport in countries with GDP below 90 % of the EU average². The

² The Visegrad Group experience: effective regional development policy. – [Electronic resource]. Access mode: <http://crps.sumynews.com/publications/item/85-dosvid-krayin-vyshegradskoyi-grupy-vprovadzhennya-polityky-efektyvnogo-regionalnogo-rozvytku.html> [In Ukrainian].

European Commission is engaged in dealing with the EU regional policy issue³, EU funding is complex, since there are many different types of programmes implemented by various agencies. Over 76 % of the EU budget is administered by the Member States. This includes structural funds ensuring funding of regional policy, social and training programmes, as well as agricultural sector (including support for farmers)⁴.

Indicators of EU regional disparities control are as follows: rate of convergence (GRP), rate of divergence (GRP), unemployment level reduction, population real income increase. EU regional policy control methods include monitoring (once in 5–7 years), cost audit, consistent goal achievement (Follow-up), strategic reporting⁵. The basic EU regional policy monitoring methods comprise: work of a special commission, population survey, comparison of macroeconomic indicators (identifying positive dynamics in regions).

Regional policy is implemented jointly by the European Union and Member States. At that, distinction is made between countries with general underdevelopment, such as Greece or Portugal, and certain regions with development lags making part of wealthy countries such as new Lands in the Federal Republic of Germany. Due to European regional policy a long-term redistribution of resources is performed aiming to bring living conditions in the European Union closer to the general level. Effective European regional policy is focused on solidarity within the whole Community, while promoting economic progress, improving living conditions and strengthening cohesion of the European Union.

One of the basic European Union functioning principles is the principle of additionally or co-funding, therefore funds raised for regional development are never allocated by central EU bodies alone (Fig. 1).

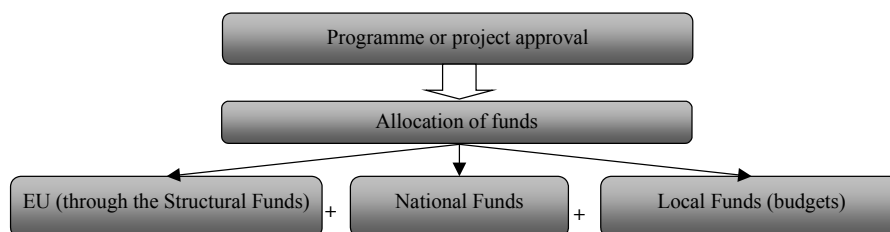


Fig. 1. General chart of EU regional projects funding

Source: author's development

³ EU Regional policy [Electronic resource]. Access mode: http://europa.eu/pol/reg/index_en.htm

⁴ EU funding [Electronic resource]. Access mode: http://europa.eu/policies-activities/funding-grants/index_en.htm

Work on a project is commenced only subject to clear determining financial responsibility of each party and provision of funds for the project implementation, 75 % of which may be granted by one of the structural funds, 15 % – by the National Fund and 10 % – by the local one.⁶

The main sectors funded by the European Union grants through national and regional authorities (80 % of the EU budget) comprise the following: agricultural sector, fisheries, regional development and employment policy (structural funds).⁷ Regional development programmes of the European Union have clearly defined objectives, instruments, implementation terms, participants, support and funding entities (Table 1).

Table 1 European Territorial Cooperation Programme for 2000–2006

| Programme | Objective | Participants | Strategic entities of support and funding | Amount of ERDF funding |
|--|---|---|--|------------------------|
| Cross-border cooperation | Development of joint local and regional initiatives | Border regions of EU Member States | Small and Medium Business Tourism and Culture Environmental Protection Transportation, information, communications networks and services Joint use of infrastructure in cultural and healthcare sectors Cooperation between judicial and administrative authorities | EUR 5.6 billion |
| Supranational cooperation | EU territorial integration | Baltic Sea regions, Central Europe, Mediterranean regions | Sustainable urban development Innovative activity Environmental protection | EUR 1.8 billion |
| Interregional cooperation (INTERREG IVC) | Exchange of experience between regional and local institutions in different countries | EU-27 countries, Norway, Switzerland | Knowledge-based innovative activity and economic development Environmental protection and prevention of environmental risks | EUR 321 million |

Source: A. I. Moky, T. P. Yakhno, I. G. Babets International Organizations: Study guide – K.: Tsentr Uchbovoyi Literatry, 2011. – 280 p. [Electronic resource]. Access mode: http://pidruchniki.ws/20080215/ekonomika/regionalna_politika [In Ukrainian].

⁵ *European Regional Development Model* training of trainers

⁶ V. I. Chuzhikov. Global regionalistics: history and modern methodology. – K.; KNEU, 2008. — p.165 [In Ukrainian].

⁷ EU contractors and beneficiaries of funding from the EU budget [Electronic resource]. Access mode: http://ec.europa.eu/contracts_grants/beneficiaries_en.htm

The period of 2000–2006 was marked by aggravation of the problem implying differentiation between countries based on the economic development level, which nevertheless clearly correlated with indices of the maximum level of support from the EU funds. The ‘outsider’ countries such as Greece, Ireland and Portugal could expect funding of regional projects from the structural funds in the amount of 75 % of their value, Spain could receive 60 %, Italy – 50 %, UK – 47.5 %, Austria – 40 %, Finland, Germany and Sweden – 35 %, France – 30 %, and finally the leading countries such as Belgium, Denmark, Luxembourg and the Netherlands could be granted only 25 %. The latter group was funded in such amounts mainly for political reasons, since in terms of the relative GDP per capita (by PPP) they had no rivals in the EU, however, population of these states had to know that their taxes were used also for their own needs. This produced the so-called regional integration effect with wealthy countries hoping that the free movement of workforce (one of the four European freedoms) would not create excessive supply thereof in the metropolitan areas of the leading countries, while less developed countries were interested in improving competitiveness through infrastructure modernization, partial resolving of the unemployment problem, etc.

The process of converging national regional models to the EU ‘standards’ provides for a number of activities with the most important thereof being transition to the European territorial hierarchical structure, whereas the alleged simplicity of the measure implementation in fact requires a complex multistructural administrative reform.⁸

Another drawback of the European funding system for regional projects can be described by example of Poland. The country’s capital Warsaw (similarly to the Czech Prague) is one of the fastest growing regions in Central Europe, which already in 1995 exceeded the EU average GDP per capita and progressed rapidly over the next seven years. However, these successes of the capital could have been regarded in a different light by the European Commission during 2004–2006.

The capital of Poland could not count on support from the EU structural funds for Objective 1 (the largest in volumes) due to the aforementioned GDP per capita being much higher than the average for EU-15, saying nothing about EU-25. Given such a disparity in the forthcoming distribution of grants from the Structural Funds, Warsaw was included to the adjacent province,

⁸ V. I. Chuzhikov. Global regionalistics: history and modern methodology. – K.; KNEU, 2008. — p. 165 [In Ukrainian].

which resulted in its high economic development index ‘dissolving’ in the adjacent depressed area. As a result, the average NUTS-II level was introduced, being lower than the similar indicator for EU-15, and thus Poland (including Warsaw as such) could count on larger amounts of aid (including for Objective 1)⁹ from the EU funds.¹⁰

Regarding the next period under the regional policy programme the main characteristics of the state policy in the field of interregional cooperation between the EU countries for 2008-2014 can be identified as follows. First of all – a substantial institutional support for interregional cooperation and its continuous improvement, as evidenced by *Interreg-III* replacement with the new European Territorial Cooperation programmes envisaging financial support of the interregional cooperation within the EU as well as with the regions of neighbouring countries without prospects of EU membership (Table 2).

Table 2 Change of priorities and financial instruments in EU cohesion policy

| 2000 – 2006 | | > | 2007 – 2013 | |
|---|------------------------------|---|--|------------------------------|
| Objectives. Initiatives of municipalities. Cohesion Fund | Financial Instruments | > | Objectives | Financial Instruments |
| Objective 1. Promoting development and restructuring of lagging regions | ERDF ESF EAGGF FIFG | > | Convergence | ERDF ESF Cohesion Fund |
| Cohesion Fund | Cohesion Fund | > | | |
| Objective 2. Support for regions with structural problems in the field of socio-economic transformation | ERDS ESF | > | Regional competitiveness and employment capacity | ERDF |
| Objective 3. Improvement of policy in the field of education, vocational training, employment | ESF | > | | ESF |
| Interreg III | ERDF | > | European territorial cooperation | ERDF |
| Urban II | ERDF | | | |

⁹ during the 2000–2006 period, the main objectives for which funds were allocated comprised the following: promoting development and restructuring of lagging regions (Objective 1); support for regions with structural problems in the field of socio-economic transformation (Objective 2); improvement of policy in the field of education, vocational training, employment (Objective 3). Most of the funds were allocated to Objective 1.

¹⁰ V. I. Chuzhikov. Global regionalistics: history and modern methodology. – K.; KNEU, 2008. — p. 167 [In Ukrainian].

| 2000 – 2006 | | > | 2007 – 2013 | |
|---|----------------|---|--------------|---------------|
| EQUAL | ESF | | | |
| Leader+ | EAGGF | | | |
| Rural development and fisheries restructuring for Objective 1 | EAGGF and FSFG | | | |
| 4 objectives | 6 instruments | – | 3 objectives | 3 instruments |
| 4 joint initiatives | | | | |
| Cohesion Fund | | | | |

Source: V. I. Chuzhikov. Global regionalistics: history and modern methodology. – K.; KNEU, 2008. – p.184

Developing new EU regional programmes and the need for coordination thereof provide conditions for interregional cooperation development based on partnership of the regions. In this respect countries of the Visegrad Group are exemplary. Transition from authoritarianism to democracy as well as from planned to market economy entailed the need for radical changes in public administration system of the Eastern Europe countries. The main features of these changes implied decentralization, which contributed to democracy revival at the local level and improved efficiency of the state apparatus; and Europeanization, which steered the modification process towards standards and requirements of the European Union.¹¹

Significant emphasis is being made on intensification of internal cooperation between regions of the EU countries, which should gradually replace competition between regions, i.e. interregional exchange of experience and achievements in improving social and economic development is regarded in terms of this programme period as a basis for increasing their integral competitiveness. Institutional establishment of regional self-government should focus on regarding a region along with its economy, culture and effective governance system combined¹².

It should be noted that along with the mentioned programmes for 2007–2013 implementation of the European territorial cooperation has envisaged instruments for regional development in candidate countries, potential candidates to join the EU and third countries. The first one is the *Instrument for helping can-*

¹¹ The Visegrad Group experience: effective regional development policy. – [Electronic resource]. Access mode: <http://crps.sumynews.com/publications/item/85-dosvid-krayin-vyshegradskoyi-grupy-vprovadzhennya-polityky-efektyvnogo-regionalnogo-rozvytku.html> [In Ukrainian]

¹² The Visegrad Group experience: effective regional development policy. – [Electronic resource]. Access mode: <http://crps.sumynews.com/publications/item/85-dosvid-krayin-vyshegradskoyi-grupy-vprovadzhennya-polityky-efektyvnogo-regionalnogo-rozvytku.html> [In Ukrainian].

didate countries join the EU, intended to support administrative, social and economic reforms, development of regional and cross-border cooperation between countries (Macedonia, Croatia, Turkey, Albania, Bosnia and Herzegovina, Montenegro, Serbia). The second one is the *European Neighbourhood and Partnership Instrument*, designed to support cooperation and economic integration between the EU and partner countries, including Armenia, Azerbaijan, Belarus, Moldova, Russia and Ukraine.

A characteristic feature of the new EU policy on interregional cooperation is participation in international cooperation not only by subjects of cross-border regions alone, i.e., active cooperation between territorial subjects from different countries having no common land border with the EU. For example, international cooperation of the Pomeranian Voivodeship (Poland) is carried out in three areas: the Baltic Sea territory, the Western Europe regions, those of Eastern and South-Eastern Europe. In particular, the third area involves cooperation with Odesa region of Ukraine and Moscow region of Russia in the field of navigation based on intensive use of sea routes.

The new *Horizon 2020* regional development programme adopted by the European Commission for 2014–2020 aims to provide funding of research and innovation for economic growth. The *Horizon 2020* programme implies focusing funding on three complementary priorities: *Excellent Science* and *Industrial Leadership* providing for stimulating European leadership in industry through scientific research, technological development and innovation in nanotechnologies, information and communication technologies, novel materials, biotechnologies, as well as space and advanced manufacturing technologies; *Social Challenges*, and international cooperation with partners from third countries required to achieve numerous specific objectives set forth by the programme related to foreign policy and EU international obligations. The *Horizon 2020* regional development programme budget amounts to EUR 87.7 billion¹³.

Monitoring practice

In the past, systematic monitoring and evaluation of EU regional policy were quite restricted¹⁴. Prior to the reform of the Structural Funds in 1988, it was generally considered that the

¹³ Horizon 2020 – The Framework Programme for Research and Innovation (Brussels, XXX COM92011)808/3)

¹⁴ Bachtler and Michie, 1995; Eskelinen et al, 1997

monitoring and control of EU regional expenditure were carried out not to the full extent, partly because of the leading EU Member States' dominance in the field of regional development. At that time the European Regional Development Fund (ERDF) was used for co-funding regional development projects while limited to the national budgets for regional policy. Besides, evaluation studies of EU regional development programmes were not comprehensively coordinated within the European Commission. Various services of the Commission would determine their own priorities and methodologies amid low centralized control or coordination, thus entailing conflicts between EU countries having different expectations and traditions regarding evaluation practices and methodological approaches. Methods of regional development programme monitoring and evaluation within the European Community were too diverse on account of lacking general management (regulation) of such activities. Thus, the 1988 reform has led to reviewing the EU regional policy, which gradually increased in scale, scope and reporting while comprising an extensive monitoring and evaluation system. For each of the Community Support Structure (CSS) and the Acting Programme (AP) a Monitoring Committee was set up comprising representatives of the national and regional authorities, and a Monitoring Commission. The 1988 Charter stipulated that structural operations had to undergo *ex ante* and *ex post* analyses to identify their impact on the priority tasks and specific structural problems. Evaluation had to be carried out taking into account three levels of impact: the overall effect of Community activities to strengthen its economic and social cohesion; effect of the activities produced on each CSS; and the effect of specific activities.

During the 1989–1993 programme period the structures for EU regional policy monitoring and evaluation were established by the Member States and the European Commission. At that time both monitoring and evaluation thereof were the least developed programme aspects of the initial period characterized by trends such as lack of data, objectives and indicators – the monitoring itself was non-systematic and significantly different among regions¹⁵.

The Maastricht Treaty significantly increased importance of economic and social components in the policy of the European Union countries. At the Edinburgh Council in 1992, it was decided to increase the role of monitoring as well as both *ex ante*

¹⁵ Bachtler and Michie, 1995; Eskelinen et al, 1997

(before the programme) and *ex post* (after the programme) evaluation of regional development. In 1993, a new Charter was adopted stipulating a clearer distinction between the three types of studies – evaluation, monitoring and analysis¹⁶. The role of the Monitoring Committees was greatly enhanced. Due to support of the whole Community, the committees could change procedures for granting aid and financial plans within the agreed scope, including allocation of funding sources and changes in the aid volumes within the Community. As regards evaluation procedures, it was decided that the *ex ante* evaluation and subsequent *ex post* analysis should be more objective-focused, in order to direct financial aid towards fields where preliminary evaluation allowed forecasting economic and social yield and benefits from invested resources within time limits according to respective regional development programmes. Under the new Charter, all Member States and the Commission were responsible for the regional policy evaluation, with responsibility for ensuring the most effective evaluation and analysis vested in the competent authorities of the EU. When submitting regional development plans, EU countries were obliged to provide more detailed information on the current status of regional development, the impact and effectiveness of activities funded by the Community and applied during the 1989–1993 programme period as well as on expected achievement of the goals and objectives (in quantitative terms, if practicable) and the effects of future operations.

During the 1994–1996 and 1997–1999 periods a lot of work has been done with certain progress in regional development monitoring achieved. To a greater extent this trend was due to setting clearer goals in quantitative expression, defining indicators for monitoring and evaluation of programmes at all levels, better monitoring and evaluation of activities, such as information systems management. The Commission services worked closely with programme managers and secretariats in order to improve the quantity and quality of indicators and monitoring systems. The MEANS programme provided guidance on monitoring and guidelines for programme managers as well as ensured information support for staff conducting programme evaluation. The Commission organized a series of conferences on evaluation of the regional development programmes implementation, particularly in Brussels, Berlin and Seville for the monitoring process development and ensuring experience exchange between regions.

¹⁶ Bachtler and Michie, 1994

EU regional policy monitoring is a continually operating system for gathering, recording, analyzing and dissemination of information used to justify the priorities, define tasks, identify difficulties and constraints to the regional policy implementation within the European Union. On the one hand, the main function of the EU regional policy monitoring system in most Member States is monitoring financial costs for their auditing, while on the other hand, monitoring systems are also used as financial management mechanisms, accelerating generation of project funding reports and allowing to trace project progress and especially the expected schedule for implementation and actual results. EU regional development monitoring is a constant ongoing process that is increasingly becoming an integral part of the regional development programme or project implementation cycle. A significant role in the regional policy implementation and monitoring of the results is vested in delegating certain authorities to local government bodies engaged in implementation of the regional development programmes, participating in development and implementation of mechanisms to coordinate regional programmes, as well as creating local partnerships.

EU regional development programmes monitoring systems are adapted and developed to ensure control over results and effects on the economic and social development in the EU. Such a formulation of setting monitoring objectives is problematic due to observed trend of data lack, whereas numerous impact aspects are manifested after a longer period of time exceeding project duration. However, despite this, monitoring systems are more often used to collect information on the actual results of a project, thus providing information that may be important for analyzing current processes within programme implementation. Less likely is assumption that monitoring can provide information on the amount of physical yield (actual results) from a programme through which it might be possible to estimate probable effects about to be achieved. To achieve maximum effect of the monitoring process, a prerequisite is access to information and comprehensive evaluation of the process results. Therefore, reliability of the monitoring data should be verified to ensure transparency, consistency and validity.

Timeline of EU regional development projects monitoring is also of essence. It is quite obvious that the monitoring process has to cover entirely as much direct results as possible – e.g. jobs creation and short-term effects of projects. However, programme implementation periods are usually too short for covering either medium – or long-term effects of projects, whereas monitoring is

usually ceased with submission of the last report at the end stage of the project. Thus, there is all the evidence in favour of the need for ensuring longest possible period of information collection prior to publishing the *ex post* analysis results.

Evaluation practice

Evaluation of regional development programmes is a periodic event held at key points during the programme implementation and can be considered as part of the continuous process based on monitoring data with the purpose of providing timely information on activities in prior periods and recommendations for the future. Within the programmes of EU Structural Funds three types of evaluation are conducted as follows: prior to the programme commencement (*ex ante* evaluation), during the programme implementation (ongoing monitoring) and after the programme accomplishment (*ex post* evaluation).

Thus, regional policy evaluation comprises three main stages, each of them being in its own manner essential during the Member States regional development monitoring. The stages are described below.

Ex ante evaluation

This type of evaluation is carried out prior to a project commencement and concerns decision-making on probability and efficiency of meeting objectives with use of the funds allocated from the budget. The priority questions to be answered at this stage are: What are the chances of success? Are the project results worth public expenditure incurred? Are there any cheaper methods to achieve these goals?

In 1994, according to the adopted 1993 Charter regional development plans for programmes of the Structural Funds were submitted. Each of these documents underwent *ex ante* evaluation by the European Commission. The key feature of this process was development of the Guidelines (Regulation) for the *ex-ante* Evaluation by the DG XVI Coordinating Council on Programme Evaluation. The Guidelines open with requirements to high quality presentation of the concept based which the programme strategy and objectives are determined: GAP analysis for regions, lags in development/conversion and socio-economic problems, as well as evaluation of the basic results achieved by previously co-funded CSS (programme evaluation experience for Objective 2:

Conversion of regions facing problems in the European Community¹⁷).

According to the Charter, the most important in *ex ante* evaluation practice are requirements regarding quantitative approach to task evaluation implying development of indicators allowing to evaluate the expected efficiency. For each area of development, a particular task should be accompanied by indicators related to basic infrastructure, environment and human resource development.

The requirement concerning interrelation of programmes was determined by policies of the EU countries and that of the Community as a whole. The issue of interrelation comprises three basic provisions:

- ✓ relation with EU policy – especially regarding environment and competition;
- ✓ relation to national policy, i.e. to what extent strategic approach of the programme and its specific tasks reinforce national economic and structural policies;
- ✓ extent to which the programme requires an increase in general common expenses.

Another important aspect of the *ex ante* evaluation of regional development projects is programme implementation comprising the following issues:

- ✓ partnership – preliminary consultation procedures and effects of the regional socio-economic factors;
- ✓ legal aspect – in the plane of supranational authorities relationship with local authorities;
- ✓ funding – national and regional funding sources; administrative and funding organization – financial control, administrative and financial schemes as well as procedures for monitoring and evaluation.

Ongoing monitoring

Ongoing monitoring is required to evaluate positive effects when occurred. This allows to adjust strategy according to current challenges. Monitoring involves collection and analysis of information, which is important not only in evaluation of projects at the stages of development and implementation, but also at the final phase of the project (which, in turn, requires quantitative and qualitative indicators of the project performance efficiency).

¹⁷ Conversion of regions with problems in the European Community. Objective 2. Support for regions with structural problems in the field of socio-economic transformation (2000—2006).

Ongoing monitoring is also required to determine whether public funds have been used properly.

For the three types of EU regional development programmes evaluation the ongoing monitoring is the most important component in many aspects. In fact, it is the only stage allowing both to evaluate programme implementation effectiveness and simultaneously influence its progress effect on the EU countries. Guidelines of the Commission on monitoring and ongoing evaluation state that the main task of the monitoring is to improve monitoring mechanism and develop an instrument useful for decision-making and effective management.

EU countries apply different approaches to ongoing monitoring management and organization. In France, the central government has recommended to all regions establishing committees composed of experts in evaluation activity supervision and management, as structural units within Monitoring Committees. These recommendations were partially accepted by regions participating in the programmes for Objective 2. The 'within reach' approach has been used in Austria, where all four Objective 2 programmes were evaluated by one research group. Similar situations were observed in the Netherlands and Finland, but in practice the role of organizational groups was rather of advisory nature.

Goals and objectives of individual countries and regions for Objective 2 varied reflecting programme management political and administrative priorities. In practice, six tasks were identified representing different levels of ongoing monitoring Objective 2 programmes:

1. Ongoing monitoring: measurement and evaluation of currently obtained results.
2. Impact evaluation: current impact evaluation.
3. Significance evaluation: reevaluating conformity of the programme and its components with the programme objectives.
4. Management evaluation: evaluating programme management efficiency, implementation and partner relations.
5. Evaluation framework development: development of indicators or goals for preparing to **ex post** evaluation.
6. Programme modification: proposals for changing or adjusting the programme or its elements versus evaluation results.

In retrospect, ongoing monitoring of Objective 2 programmes has brought a significant contribution to understanding of values, goals and methods for carrying out evaluation at the national, regional and local level. The scale and quality of imposed evaluating studies were significantly enhanced with the regions becoming

ing capable of demonstrating creation of effective structures for cooperation in the field of evaluation. The increase in personnel having necessary competence and experience in the evaluation process has improved opportunities for evaluation-based analysis and usefulness thereof, whereby significantly increasing quality of programmes as a whole.

Ex post evaluation

At a certain stage after a regional development project accomplishment it is important to evaluate whether public costs have been economically and socially viable. The final evaluation is needed to draw conclusions as to achievement of objectives, as well as for correcting and preventing subsequent errors when developing further programmes. In general, *ex post* evaluation should be carried out based on costs and benefits in order to assess the net social value of all public spending.

Therefore, in our opinion, the EU regional policy evaluation process requires incorporating revision of individual instruments after evaluating performance and determining their efficiency. This interactive approach emphasizes the need to consider monitoring as a continuous process (Fig. 2). The regional policy is to develop continuously and evolve amid the ever-changing circumstances of the contemporary global environment, aggravation of the economic crisis and public spending reduction.

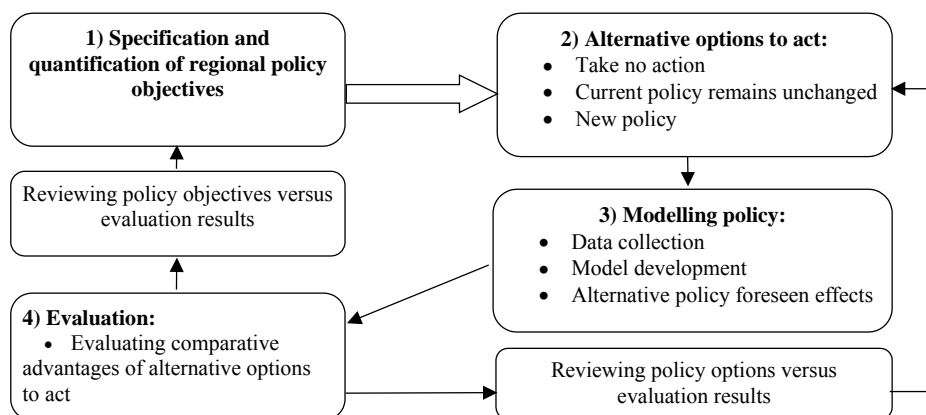


Fig. 2. Monitoring process stages

Source: author's development based on Harvey Armstrong, Jim Taylor Regional economics and policy, 2007

With the purpose of analyzing achievement of project objectives *ex post* evaluation results for sixty Objective 2 programmes in 1989–1993 were collected and summarized in reports on eight regional groups (Metropolis, Industrial South and North, the North Sea, the Mediterranean, the Atlantic, Italy and the United Kingdom). Various types of studies were limited to a single methodology aimed at ensuring possibility of comparison, although requiring adjustment in different aspects amid great diversity of available information.

The research was carried out in two stages: the first stage was performed involving all programmes for Objective 2 and comprised overall evaluation of the situation in selected regions prior to and after programme implementation and analysis of available programme data on a top-down basis; the second stage was applied to every third programme, but actually was successfully performed in one of six while representing in-depth bottom-up evaluation. The main objective of the second stage was sampling of required empirical data for the project in order to determine first gross results and then net ones regarding programme effects and employment level.

In terms of bottom-up evaluation a number of methods were used to assess effects related to employment based on available data. The value of one job cost was brought as close as possible to the project data for obtaining general information on the programme. In the course of more detailed studies the job cost was calculated according to the target areas of influence by the European Reconstruction and Development Fund (ERDF) and the European Structural Fund (ESF) with the purpose of obtaining more precise gross indicators. In-depth studies comprised calculation of employment net values including data on part-time employment, dismissals and other indirect effects.

In terms of the global evaluation synthesis the effects on employment were used defined both similarly to regular research top-down basis and by the bottom-up method as in sampling in-depth studies, thus providing evaluation of Objective 2 total impact during the 1989–1993 period. The study revealed that Objective 2 programmes had a significant role in the industrial conversion. It was proved that the programmes could support structural alignment process in the regions despite unfavourable macroeconomic trends. Short-term effects on unemployment and a long-term contribution to industry restructuring were quite significant. According to this period evaluation circa 850 thousand jobs were created, preserved or redistributed, with two thirds

thereof being due to actions by the ERDF and one third – due to those by the ESF. Distribution of effects between EU Member States was generally consistent with funding allocation. As regards net indices, the evaluation showed approx. 450–500 thousand jobs created, including adjustment due to part-time employment, dismissals and indirect effects.

In addition to employment results, it turned out that the Structural Funds also produced a cumulative effect. Such non-quantitative effects were significant as regards facilitating regional partnership development and capability to plan and manage a regional development strategy. In particular, programmes for Objective 2 ensured interrelation between development strategies in many regions not previously observed. Although their overall external coherence level was quite high, programmes for Objective 2 often lacked internal coherence, in particular, regarding integration between ERDF and ESF. The failure to achieve and identify potential interaction between the two funds was mainly due to the policy framework and variety of configurations, history and structure of each of the funds.

As regards conclusions related to programme implementation issues and their management, firstly, the 1988 reform of the Structural Funds boosted partnership development process along with creation of several partnership models – one involving a relatively small number of participants, benefits for which comprised much higher interrelation in management; and the large-scale fundamental partnership model. However, effectuating control over the both models was much more difficult. Over time, the programme management systems were greatly optimized, though in many cases they were insufficiently elaborated as per programme commencement and often developed slower than required, because the tight schedule stipulated the emphasis be made mainly on implementation of the programmes, whereas establishing formal decision-making and regional development monitoring procedures was paid less attention.

Important conclusions from *ex post* evaluation comprised recognition of a number of methodological problems encountered in practical studies, some of which were caused by *ex post* evaluation phase nature, while others arose due to inadequate procedures for monitoring, administration and decision-making accepted during previous programme periods, whereas also the problems were associated with the nature of selective ratings and regional monitoring results¹⁸.

¹⁸ Bachtler J. Evaluation of Regional Policy in Europe. 2005 [In Russian].

The main difficulties in setting up the system for monitoring and evaluating EU regional development strategies/programmes can be grouped as follows:

- 1) strategy developers select objectives immeasurable by absolute indices, or there is a problem in obtaining relevant data for selected indices;
- 2) excessive number of objectives and strategies, while respectively – specific measurement indices;
- 3) difficulties in determining real impact by strategy/programme implementation on the achieved regional development results;
- 4) unreliability of data derived from on-official sources;
- 5) 'lags' in publishing official statistics with respect to the moment monitoring and evaluation are performed¹⁹.

As noted above, pursuant to Art. 130 b of the Maastricht Treaty²⁰ «The Commission shall submit a report to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions every three years on the progress made towards achieving economic and social cohesion and on the manner in which the various means provided for in this Article have contributed to it». The first report of the Commission was published on January 30, 2002, the second – on January 30, 2003, the third – on May 17, 2005, the fourth – on June 12, 2006, and the fifth – in November 2011.

On June 12, 2006 the European Commission published the *Growth and jobs strategy and the reform of European cohesion policy – the fourth progress report on economic and social cohesion*. The report describes socio-political situation, trends and disparities in the Member States and EU regions, as well as between them. The report also presents recent developments in European cohesion policy, including guidelines, innovation and financial resources for the 2007–2013 period; as well as recounts European Strategy for growth and jobs.

Among other things, the Fourth report refers to the following:

- cohesion programmes implemented by the new EU Member States after expansion of May 1, 2004;
- preparatory actions to the 2007–2013 programme period, in particular, Interinstitutional Agreement on the Financial Framework 2007–2013, signed in May 2006 by the European Parliament, the Council and the Commission;

¹⁹ Myroslava Lendel. The legal and institutional framework for implementation of regional development strategies: monitoring and evaluation

²⁰ European Treaties – [Electronic resource]. Access mode: <http://www.eurotreaties.com/-maastrichtec.pdf>

- an updated version of the 2005 Lisbon Strategy.

A special emphasis in the report was made on the analysis of economic and social asymmetries. In particular, the Commission pointed out that in 2005 the EU economy was characterized by the continuation of moderate growth. During the 2000–2004 period, the average GDP growth in 25 Member States has remained slightly over 1.5 % per year. As for the disparity between Member States in terms of GDP, the report states that the new member states economy is growing faster than in most EU-15 countries. However, convergence regarding levels of economies in old and new EU member states still has a long-term perspective. In 2004, the average total employment level in the EU was 63.3 % (64.7 % in the EU-15 and 56.0 % in the EU-10 countries). In order to achieve the EU-27 employment level of 70 % by 2010 as stipulated by the Lisbon Strategy, the Commission Report specifies the need to create 24 million new jobs. The Report also provides an overview of disparity between objectives and asymmetry for the regions in terms of each objective to be achieved through cohesion policy in the next programme period.

While evaluating the 2000–2006 regional development programmes, it is worth noting operational (i.e. achieved during the programme implementation) and long-term effects of such projects in the EU, since, for example, the costs of road-building or educational and training programmes create additional jobs, which in turn increases demand, costs and investments by both individuals and companies, while also stimulating growth of industrial production (the so-called multiplier effect). This trend is most common during funding of projects and can go beyond the time-frame of projects due to the multiplier effect²¹. Regarding the 2000–2006 regional development programme the implementation period has lasted until the end of 2009. The overall growth rate of GDP per capita by 2009 increased by 11 % in recipient countries (with an annual increase of this index by 1.2 % during the programme period), which is a significant and indicative result of the effective cohesion policy of the European Union.

Thus, the policy produces a significant impact on the economic growth of countries and GDP level both in the short and the long run: during the 2000–2006 programme period each EUR 1 of investments yielded EUR 1.2 of profit, whereas in the long run by 2020 the expected profit will amount to EUR 4.2.

²¹ Fifth Report on Economic, Social and Territorial Cohesion – [Electronic resource]. Access mode: http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion5/index_en.cfm

The macroeconomic effect of the 2007–2013 regional programmes with increased funding of the EU countries is expected to be much more significant in terms of GDP than during the previous programme period²².

Conclusions

Therefore, the main feature of the European Union regional policy is that the funding for programmes is provided on additionally basis and through specialized funds for programmes with implementation period of 7 years (2000–2006, 2007–2013, 2014–2020). Accordingly, monitoring performance results of these programmes is usually done once during the implementation period, which in turn, causes a number of inconsistencies. Thus, amid economic climate changes (global financial crisis, accession of new Member States) only indices of the previous period and not of the current one are taken into account, whereas the budget intended for 7 years remains unchanged until the end of the economic cycle. Therefore, in the future it is important to perform more frequent reviewing of the economic development of countries and regions with subsequent adjustments to the budgets and support programmes.

The new paradigm of the EU regional development policy provides for development of competitive regions by involving all subjects of development and using the potential of key assets in the region along with application of new instruments in the EU cohesion policy.

Development of the implementation monitoring and evaluation systems for EU regional programmes requires substantial funds and time, as well as understanding of the additionally principles, peculiarities, mechanisms and instruments for implementing such programmes monitoring process, which in turn requires thorough planning, universal access to information resources, parity indices; as well as relevant competencies for efficient use of the EU regional policy monitoring and evaluation potential.

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