Institute for Public Services
and Tourism

University of St.Gallen

Centers of Excellence:
Tourism and Transport
Regional Science
Public Management

Varnbüelstrasse 19
CH 9000 St.Gallen
Fon +41(71)224-2525
Fax +41(71)224 2536
http://www.idt.unisg.ch

Effect-oriented regional development policy: An implementation through the backdoor

Klaus-Dieter Schnell,
Roland Scherer,
Kuno Schedler

Paper presented at the
6th International Research
Symposium on Public Management,
Edinburgh, April 8.-13. 2002

Table of contents

Abstract

For the solution of concrete problems within Europe the EU has launched community initiatives within the scope of their structure fund policy. Thanks to the INTERREG-Initiative there is for instance support for regional co-operation across national borders. The primary aims and basic concepts as well as the eligible areas are set out in the structure funds regulation and the guidelines of the community initiative INTERREG III. The EU has set general conditions for the establishment of the programme, for the organisation of the decision and handling processes and as well as in particular for controlling and evaluation. The single bordering regions can now act relatively freely within this given framework.

From the aspect of quality assurance, the general conditions of the EU are very important for the fields of monitoring, controlling and evaluation. In contrast to earlier structure fund periods, the commission sets nowadays far-reaching preconditions on the procedural aspects, and on aspects regarding the content of the evaluations. The structure fund regulation sets clearly the systematic of the evaluation as a three-stage scheme consisting of ex-ante-evaluation, mid-term-evaluation and ex-post-evaluation. There are clear preconditions for different evaluations with regard to the indicators: quantified objectives allow a region to assert, how far measures reach the programme targets; context indicators help to describe the changes of the general conditions for cross-border development; output and impact indicators shall be used within the evaluations for assessing the effects of the measures.

Overall it can be said, that the EU has set up a clearly effect-oriented regional development policy with the instrument of the community initiative INTERREG. In comparison to earlier initiatives, an alignment in regard to content of a ‘conditional’ programme creation to a ‘final’ programme creation can be seen. A development which is welcome by the New Public Management. It requires a regular check of the accomplished objectives and in particular of the resulting effects. From a regional science view, there is now a desirable embodiment of evaluation systems at the regional level which has come through the backdoor of the EU regional policy.

1 Introduction

For some years it has been possible to notice an increasingly dynamic competition between locations and enterprises worldwide. The driving forces behind this competition between places are, above all, the dismantling of barriers to international trade and investment, innovations in information and communication technology, and the development of new production techniques and forms of organization.This results in greater freedom for organizations in their choice of location. They can choose the place which offers them the best conditions for various production factors such as potential work force, opportunities for networking with other firms, infrastructure, tax advantages, and much more. The result of this freedom of choice for enterprises is an increasing competition between cities, regions, and even countries. This competition could best be summed up by the phrase *Competition between regions*.

One of the consequences of this competition is an increasing difference between rich and poor regions. In concrete terms, this means that regional disparities increase, and that, at the European level, social and physical coherence is greatly endangered. Attempts to combat these developments with the help of regional policies are being made at different political levels. Within regional policy, in the last few years, a new orientation, concerning content, can be observed. In Switzerland, the current regional policy even operates explicitly under the title NOREP, newly oriented regional policy. This new orientation is, not only in Switzerland, characterised by a repeated change of paradigms (cf. Thierstein and Walser 2001), which consequently is also mirrored in changed organisational instruments and changed institutional frameworks. In the European areas, which in the past few years have come to play a central role in the regional structural policy for the whole of Europe, a major change, affecting content as well as organization but above all institutions, can be observed too.

This paper examines this recent development of EU regional policy and attempts to place it in the context of the New Public Management concept. In particular, it asks the question, to what extent the new organizational instruments used in EU regional policy are derived from the New Public Management Toolset. It is likely that the answer to this question will open the door for the following three items. Firstly to learn from already existing experiences of the NPM for the EU regional policy, secondly to prevent failures which have already come up and thirdly to multiply positive results.

In a first descriptive section, we shall detail the development of practical policy at European levels and show that recently, elements of concept have come in, which in disciplinary discussions of practical regional policy up to now, are somewhat foreign.

The question is then raised as to where the source domains of these ideas are to be found. Because of the terminology used, it is possible to assume that there is a connection with New Public Management (NPM), which we will examine in a second, analytical part, with examples from selected case histories. Thirdly, we shall gather the conclusions which could result from a relevant relationship between the concepts. Not least it can be assumed that the two disciplines have more to offer than is still the case today.

2 General development tendencies in regional policy

One of the results of the increasing competitiveness described above is the clearly increasing disparity between economically strong and economically weak regions. Clear examples of these divisions between poor and rich can be observed in Italy in the south (the Mezzogiorno) or in Germany between East and West Germany. But in Switzerland too, economic disparities are increasing. Here it is above all the peripheral mountain regions, such as, for example, in Wallis, which are falling behind the economically strong centres like Zurich. Is it now the task of the state to intervene here to correct this?

Basically it is assumed that in a liberal economy, as in Switzerland, based on the independent economic planning of single individuals, the geographic distribution of economic activities is decided by the market.

The state should only intervene if the results of the market economy do not agree with the higher social and political objectives. If the objectives in a state are to have equal living standards in all parts of the country, and so to achieve both social and physical cohesion, but if at the same time, clearly established physical disparities exist, then the deduction follows that there is the necessity for state regional or structural policy. At a theoretic level, the reasons for this necessity can be economic and non-economic:

- For an economic reason, the consequences of a total market system are accepted in principle. Due to the various weaknesses of the market and of market failures, a less than optimal physical allocation of production factors comes about, and, with it, disparities arise. Responsible for this, are, for example, external factors, anomalous markets, institutional barriers, insufficient market transparency, and, in particular, limited mobility of production factors. Here, the task of a regional policy is to make an optimal allocation possible.
- A state, however, does not pursue economic targets alone, but also strives for objectives outside the economic sphere. These cannot or can only partly be achieved by a functioning market. These include, for example, requests for distribution on political grounds, cultural-political objectives (keyword: language minorities), the desire for a stable society free from social tension, or also from the point of view of political security. These reason too give a cause for the necessity of state enterprise.

Against the background of these differing explanations, regional policy usually pursues three objectives, which are: growth, stability and balancing. While the first two objectives follow more from economic reasons, the latter is, above all, the putting of social-political goals in concrete terms.

To achieve its objectives, regional structural policy has a wide range of available tools. These have changed over the years. In the seventies, regional policy was concerned above all with the provision of land, with traffic measures and with encouraging business investment. Today the task-list of regional policy also includes: encouraging research and development; supporting Start-up businesses; measures for employees to become qualified; marketing and environmental advice for businesses. These place great demands on the coordination of many different and sometimes contradictory objectives and measures.

These instrumental changes in regional policy are the result of a multiple change of paradigms in the development theories underlying this political field. With this, an earlier static way of looking at individual factors moves more and more to an inquiry for processes which help or hinder regional development. Thierstein and Walser (2001:65ff.) distinguish here between the three following changes of paradigms:

1. The theoretical angle of vision changes from an exogenous to an endogenous view. In classical economics, the region is only a kind of container for economic relationships. Its economic development depends on the nature of its economic connections with the outside world. The characteristics of the container "region" are thus less important.
2. This model, however, allows no explanation for varying types of development in comparable regions. Gradually the special qualities of areas have been discovered. Human activities and social connections are influenced by the physical area, and influence it further. From this, a direct path leads to the "embedding concept", which moves the regional-internal context of economic development into the centre (cf. Sternberg 1999).
3. The theoretical focus is transferred from a static observation of location factors to that of development processes. Location theories are concerned with the location conditions for individual businesses or with the optimal location structures. Important investigation areas are the traditional factors of production and distribution of goods: labour, raw materials, means of transport, agglomeration, etc. Many aspects of reality are left out: the natural qualities of a particular area; the typical behaviour and preferences of its consumers; the political background to the spatial distribution; historical development, and so on. That is why, in the meantime, the behavioural aspect has also been integrated into the theories, which extend from development-capable business to learning region (cf. Piore and Sabel 1984, Morgan 1997).

The theoretical orientation then changes away from production factors in the narrow sense to an orientation towards interactive connections between institutions and protagonists. The new models introduce elements of cooperation into the theory forms. The qualitatively new element is the net of company business protagonists, of cost-sharing and cooperation advantages, of historical and cultural ideas, and of social ties. The relationships between the protagonists and business are woven into this net. In the last ten to fifteen years, the theory of innovative surroundings and networking, as well as the regional innovations methods, have developed from this (cf. Maillat 1995, Schleicher-Tappeser et al. 1997, Sternberg 1999).

The basic instruments for a regional policy of that kind are location development policy; the communications policy and the relationship policy:

- The aim of the **locations development policy** is to give the location an attractive performance profile and to present it as a quality-brand product. The policy aims to retain existing strengths by using (financial and personnel) resources, and to strategically strengthen areas of weakness. This can be done by preparing the infrastructure, by land management, by means of an effective and client oriented administration, financial support, and by a (local) taxation policy. A part of this too, is the preparation and care of the so-called "soft" location factors, from the environmental and recreational qualities of the region to its cultural policy.
- The **communications policy** is concerned with increasing the rating of the name recognition, giving information to interested parties about offers, and generally creating a positive image. An important objective of the communications policy is to make the projected picture and the performance picture - that is, the wish and the reality - agree with each other. Thus the communications policy focuses both internally on the local population, as well as externally on potential visitors and investors. This is done through advertising, PR, fairs, exhibitions, events, and other forms of marketing.
- The **relations policy** serves to win new clients (recruitment), keep existing clients (retention) and win back dissatisfied clients (recovery). This comes about by making and following-up personal contacts through representatives of the location. Relations policy demands, in addition to offensive communication action, comprehensive information about "client behaviour".

Those who carry out regional policy are, in principle, all protagonists who can have an influence on the variables relevant to the location. To these belong, in addition to local public bodies, private protagonists, such as businesses, associations, and also publicly regulated bodies, for example, in Germany, the Chamber of Commerce. Normally, however, the main protagonists, come almost exclusively from the political, administrative system. In connection with the administrative organization, a distinction can be made here between supranational institutions, like the European Union, and those at national and sub-national levels, such as the regions and communities. Within this multi-level system, however, varying tasks confront the individual protagonists. The status of the individual protagonists is therefore strongly dependent on the strategic alignment of the regional policy. Eckey (1996:818) distinguishes here between an "ordering" political variant and a "process" political variant:

- For the ordering political variant it is assumed that the regional structural policy is carried out in a system of competing regions. The primary protagonists of the regional policy, therefore, are the regions and communities which want to improve their position in the competition between regions. The state, or the European Union, limits itself purely to setting the ordering-political framework, which is needed for fair competition between regions. Special attention is paid here to the subsidiary principle. An inter-regional financial equalization should ensure that not all too great disparities appear between the performance capabilities of local public bodies.
- For the process political variant, the state is the central protagonist. It formulates for the individual regions a certain model image and tries to achieve this with suitable tools. A characteristic of this variant is that the state makes the objectives and the required tools compulsory for the individual

regions, or sets them through indirectly in that subsidies are only provided if the regions, communities, or also businesses, act in accordance with state regulations..

Regional policy, therefore, portrays a typical area in a federal system that is always moving in a field of tension between decentralization and centralization, and where a variety of different protagonists from varying political levels are involved. This extreme complexity of participation necessitates that the regional policy too has the appropriate instruments available to make "success" transparent and so also to be able to document its "right to exist". Information on effectiveness has thus to be a necessary component of modern regional policy.

2.1 The regional structural policy of the European Union

Economic considerations were the most important motivating factors for the founding of the European Community. In the preamble to the founding treaty, the Treaty of Rome, the European Community sets the objective "to lay the foundations of an ever closer union among the peoples of Europe" and "to ensure the economic and social progress of their countries by common action". At that time not a single mention was made of the problems of geographic or social cohesion. Susanne Tiemann, for many years President of the Economic and Social Committee of the European Union, gave as reason for this that the founders of the Community, – totally in keeping with the neoclassical model – assumed that the differences between the wealthy and the poorer regions would disappear in the course of the gradual realization of the common market and agricultural policy (cf. Tiemann 1995:70). Developments taught the founding fathers of the EU that on this point they were wrong.

Already in 1973 following the first expansion of the Community, the European Community found itself forced to think about the creation of a financial method of supporting the disadvantaged regions. To supplement the already existing European Social Fund (ESF) and the European Agricultural Guidance and Guarantee Fund (EAGGF), in 1975 the European Regional Development Fund (EFRE) was set up. With this, the economic objectives of the European Community, which had, up until then been characterized by allocation targets, were supplemented by distribution objectives. In the course of the years the European regional policy gained increasing importance. The problem of regional disparities reached new dimensions with the integration of new countries and regions (e.g. Greece 1981, Spain and Portugal 1986, East Germany 1990). The planned enlargement of the EU will make these problems even more acute. The former President of the European Commission, Jacques Delors, drew attention to the fact that the huge increase in importance of the European policy of cohesion was mirrored by a marked increase in the budget funds: from 1994 to 1999, € 141 billion was available in total for the three structural funds and their associated community initiatives. For the structural funds period 2000-2006 this amount was significantly raised to around 250 billion Euros. In recent years the relative importance of each of the structural funds has shifted in favour of the EFRE. The share of the agricultural fund, the EAGGF, has accordingly declined, although in absolute terms the EAGGF retains its size.

In the support period 200-2006, the European structural funds are pursuing three main goals:

1. promoting the development and structural adjustment of regions whose development is lagging behind;
2. supporting the economic and social conversion of areas facing structural difficulties;
3. supporting the adaptation and modernisation of policies and systems of education, training and employment.

With the pursuit of these goals, the Community brings a harmonic, balanced and sustainable development of economic life, the development of employment and human resources, the protection and improvement of the environment, and the elimination of unequal treatment of men and women, as well as the encouragement of equal opportunities (see Council Regulation (EC) no 1260/1999).

The present structural fund period can be fundamentally distinguished in some organisational characteristics from the preceding period:

- Regional development policy is decentralized – in accordance with the principle of subsidiarity – to the transposed level, i.e. to the respective regions. These are solely responsible for the total regional programme, the political-strategic decision processes, the financial and administrative arrangements, as well as for the checking and achievement controls. Within the frame of the structural funds regulations and in the guidelines for Community initiatives, only outline conditions are given by the EU for setting up programmes, for organization of the decision making and executive processes, and, in particular, for control and evaluation. Within these frame, the individual regions are relatively free.
- Where regional development policy is concerned, a turning away from a "conditional" governance by means of laws and standards to a governance which is oriented towards the effects of public programmes and interventions, can be observed. Whereas in the past, for the structural funds support, concern was simply for keeping to the existing regulations, especially those concerning laws about competitiveness, and paying attention to lawful financial management, today, it is the (anticipated) results which are in the foreground. The EU therefore demands that each region carries out an Exante evaluation of the respective programme, the establishing of quantified objectives and indicators for measuring output and impact, even at the level of individual measures. Furthermore, an mid-term and a final evaluation of every programme is obligatory.

Interestingly, these fundamental content and concept changes, which are not in accordance with the EU regional policy, have been passed on from the officials there to other political-administrative institutions. A clear information statement did not take place. The changes were largely "hidden" in some regulation or recommendation. Only in the course of the respective approval procedures for individual regional programmes did these changes appear as a central theme, which then led often to considerable conflict between the EU and the regional levels.

2.2 An intermediate conclusion

- From the developments described above, it can be concluded – at least conceptually – that the regional policy of the EU has brought in elements that show great similarity to those of NPM:
- In the area of regional policy, the EU is withdrawing more and more from the operational aspect and is becoming an enabling authority. This development corresponds to that of the NPM, which is often cited as a political principle of the change from an executive to an enabling state. (cf Schedler 2000).
- The EU no longer directs implementation by means of legal regulations and interventions, but by output and outcome rules.

These features were not the subject of practical regional policy. Handling them is still unfamiliar. Discussion is still partly a little immature. Nevertheless, they are a practical reality. From it the following three theses can be taken for further discussion and examination.

Thesis 1: The concept of NPM is definitively related to the new practical regional policy of the EU. The lessons from the NPM are also relevant to this European political area.

Thesis 2: The necessary changes which accompany NPM elements must also be carried out in the area of practical EU regional policy. This especially applies to the implementation of the new operational tools.

Thesis 3: The interdisciplinary dialogue between public managers and regional politicians must be strengthened in both directions. Regional policy can learn from NPM experience. For NPM, intervention in regional policy means a new challenge for practice and science.

3 Analysis : Is the orientation towards outcome in regional policy related to the NPM?

3.1 Central points of NPM

In a new publication (see McLaughlin et al. 2002) a range of internationally active authors summarised the development of NPM worldwide. All in all they have come to the conclusion that, although the terminology in different countries and cultural regions are comparable, the respective applications clearly differ from each other. Even so, NPM is a phenomenon that, when examined neutrally, cannot be dismissed by discussion. Pollitt (2002) comes to the conclusion that it is exceptionally difficult clearly to determine the effects of NPM causally. Nevertheless, certain positive effects are clearly recognisable, but also (negative) side-effects. Other results, for instance, the reduction of staffing, cannot with certainty be ascribed to NPM. As is always the case, NPM is a factor in European countries, even if it is also one with more or less importance (cf. Schedler and Proeller 2002). This concept, therefore, ought also to have an effect on the activities of the EU - the NPM "philosophy" thought to find expression in the EU programmes.

According to Barzely (Barzelay 2001), public management can be seen in two forms of business management research: organizational-theoretical and control-theoretical. Osborne and McLaughlin (Osborne and McLaughlin 2002) rightly widen NPM from the purely organizational point of view further in the direction of "governance as the pre-eminent task of public management." For the existing discussion, though, control-theoretical question formulations are in the foreground. In this way, examination is focused on the following elements for investigation:

- **Control with regard to effects**: Clear ex-ante recognition of the results to be achieved in the framework of a political programmes.
- **Linking of responsibility for performance and budget:** The tying of allocated resources to previously defined performance objectives, which are to be achieved with these resources, in order that the principle of fiscal equivalence is taken more into account.
- **Inclusion of customers:** Customers requests are taken directly into account by the administration on decisions about public services (i.e. bypassing the traditional "political" track: citizen → politician → administration → citizen (cf. Schedler and Felix 2000).
- **Market mechanisms:** deliberate inclusion of market-type mechanisms as elements of the new control.

These four elements should then in the future be more closely examined with reference to EU regional policy.

3.2 Elements similar to NPM in European regional policy

The support for development in the regions is characterised by a very complicated chain of effects. What effect an actual measure has on the regional economy can frequently only be approximately judged. In addition, regional policy often consists of a whole bundle of supplementary measures. Politicians often formulate regional policy objectives very unclearly – perhaps just because it is so difficult to establish the effects. This does not sound much like "effect-orientation" and "efficiency revolution", two key phrases from the vocabulary of NPM. Even so, as in other political fields, elements of NPM have also come through into European regional policy.

The current EU structural fund policy is strongly marked by the essence of **effect-orientation**. "Goal-setting" and "control of effects" can be found with unmistakeable clarity in the current European structural fund regulations. At the target level, the three main objectives of the structural fund regulations have already been mentioned above. In addition, the EU continually stresses in its current policy the so-called "cross-section aims" for the areas competitiveness and innovation of SME's, employment and human resources, environment and equal opportunities. .All measures should be used to encourage these. For the community initiatives: INTERREG; LEADER; URBAN, and EQUAL, a special objectives list was set up too. The control of the effects is given more value through the upward revaluation of the evaluation and of the monitoring system. The monitoring has more the purpose of closely observing the following of the rules and reaching the goal in the area of the implementation of a structural fund programme. On the other hand, evaluation should keep the effects of the programme on target. Every intervention is to be accompanied by three evaluations. The *ex-ante evaluation* should first of all assess the suitability for the regional problems; the *mid term evaluation* should summarise the first results; the *ex post evaluation* should give information about the effects and the efficiency of the intervention.

With the **Linking of performance and budget responsibilities** a further element of NPM appears at the European level. In the new structural fund period the EU provides the *global objectives*, which come with an award of the financial means. So the responsibility for achieving results is now placed with the programme regions. The budget for a programme is made up of EU-structural funds means (up to 50%), and of public and private means together from the respective programme regions. The financial sovereignty over the programme-budget lies with the regional programme-panel - within the framework of the procedural limits.

The recipients of the outcome – in the end these are the local protagonists of the regional development – can be seen as customers of the structural-funds programme. The strong alignment of the current measure supports on regional demands, bottlenecks, and potentials is an expression of customer relations of the structure fund programmes. The interests of the "customers" are integrated into the establishment of the programmes through direct contribution of the recipients and the regional analysis carried out before, according to the preconditions of the EU.

Finally, **competitive elements** appear in regional policy as well. In the regional development programmes such as LEADER or INTERREG, these elements are evident, above all, in the choice of projects to be supported. Projects can be put forward to receive (financial) means for individual measures of the regional programme. The project which best meets the challenge is chosen. This method also encourages the cooperation between those responsible for public projects. They apply together for one grant – and, in many cases, later make one written application for the actual work.

3.3 Case study: The Community Initiative INTERREG

The EU can decide on so called community initiatives to solve individual problems within the European Community. The community initiative INTERREG supports the trans-boundary, trans-national and across-regions cooperation on a regional level. The support of the trans-boundary cooperation on the basis of structural funds started in 1989 with fourteen trans-boundary pilot projects which already included Swiss cantons.[1] The community initiative INTERREG was first used in 1991. In the first phase of the INTERREG support, projects in 31 European border regions were supported with a total budget of € 1.08 billion[2]. In the second phase of INTERREG (INTERREG II), 59 areas were supported with 2.62 billion. Mostly the projects financed were projects which contributed to the growth of the economy and helped to reduce restraints caused by the border situation (Drewello 2001)

1 Until today the Swiss can participate in trans-boundary EU projects, too. On contrary to their neighbours they do not receive money from EU-structure funds, but from the Swiss Federal Decision on INTERREG. The allocation of the funds is made in the same way as at the EU.

2 The mentioned budget is exclusively EU contribution. According to the principle of co-financing the respective partners and nations have to bring in at least the same amount for each programme.

The current phase INTERREG III was passed by the EU council of ministers and the European parliament in 1999. For the period of support 2000-2006, 4.87 billion € from resources of EU structural funds will be available for the community initiatives. In the guidelines of the EU-Commission from the 28.4.2000, the aims and the principles of the community initiative INTERREG III are clearly regulated. The bottom line of INTERREG is to make sure that national borders are not restraints to the equal development and integration of areas of the European Community. INTERREG has set itself three main goals based on the experiences of the past INTERREG phases (and the results of their evaluation):

1. Support of an integrated regional development of neighbouring border areas, including areas on the outside borders of the European Union and certain borders delineated by the sea.
2. Contribute to a harmonious integration of regions within the EU
3. Improvement of politics of development and bonding or policies which are connected to development and bonding through transnational and interregional cooperation

To achieve these goals for developing cooperation the following guidelines were chosen:

- Joint trans-boundary strategies and programmes for development
- Working as partners and a bottom-up philosophy
- Understanding of the general intervention strategy of the structural funds
- Strengthening of the integrated approach during implementation
- Effective coordination between INTERREG III and other political instruments

In the General Regulation for the structural funds and in the INTERREG- guidelines, the EU has set out the framework for the process of programming, the organization of processes of decision making and carrying out the decisions and especially for controlling and evaluating. As well, the eligible areas have been defined by the EU. Within the given framework, the individual border region have room to integrate their own development ideas into the process. The regional bodies are as much self-responsible as possible for programming, the political-strategic decision making processes, the complete financial and administrative handling as well as the controlling and measuring of success.

3.3.1 The EU-framework for regional INTERREG-Programmes

Guidelines for programming

It is necessary for an INTERREG region to develop a Community Initiative Programme (CIP) as well as a Programme Supplement to be eligible to receive EU money. The CIP is the central document for decision and includes the concrete goals and points of emphasis for the entire programme. It also includes the distribution of the financial resources among the priorities as well the entire handling of the programme. The EU that expects that quantified objectives have already been set for the programme by this stage. The CIP then needs to be accepted by the EU. In the spirit of the NPM terminology the CIP can be seen as an agreement on outputs between the EU and the border region. The Programme Supplement substantiates the agreement on the outputs. In contrast to the CIP there is no authorization from the EU necessary for the Supplement Programme. The EU has clear requirements for the structure of the CIP. The CIP must be based on a SWOT analysis (Strengths – Weaknesses – Opportunities – Threats) of the programme area. It needs to have been developed through broad based hearings according to the principles of the bottom-up approach and the principles of partnership (i.e. including all social partners and NGOs). The goals of the CIP must be checked carefully and verified in an extantevaluation with respect to their compatibility with other EU policy and the expected out-comes[3]. The evaluation has to be carried out by somebody who was not involved in the process of developing the programme.

Guidelines for processes of decision-making and implementation

The EU makes a clear separation in the guidelines for the operational organization between responsibility for political-strategic decisions, the concrete programme development, the release of financial means, and the financial control. This separation goes so far that the EU-Commission insists that the so-called administrative authority, responsible for programme development, and the so-called payment point, responsible for the financial side, may not be housed in the same administrative unit. Furthermore, the EU demands that in the composition of the *strategic decision-making board*, the so-called accompanying committee, the principles of *partnership* and *gender mainstreaming* should be taken into account.

Guidelines for monitoring, controlling and evaluation

From the NPM standpoint, the most interesting part of the general guidelines of the EU is the whole area of monitoring, controlling and evaluation of the INTERREG-III programme. The EU makes for this very extensive guidelines which encompass aspects of both procedure and content. In contrast to the earlier structural-funds periods, today great weight is accorded to the area of evaluation. The structural-fund ordinances generally stipulate a three stage system of evaluation: ex-ante evaluation; mid-term evaluation, and ex-post evaluation (Council Regulation (EC) No 1260/1999).[4]

The ex-ante evaluation has already been referred to in connection with the drawing up of the document for the programme plan. This is a compulsory requirement and is necessary for approval of the programme by the EU. The ex-ante evaluation, in accordance with structural funds ordinances, has the following content: a strengths-weaknesses-analysis of the programme areas in question; an evaluation of the socio-economic situation; the condition of the environment; and the equality of opportunity between men and women in the employment market. In addition, the relevance of the planned operation and accompanying procedures as well as their agreement with the community policies should be checked.

The *mid-term evaluation* is given considerably more weight than in the earlier structural-funds programmes[5]. In the past, the mid-term evaluation was treated in a relatively lax way by those responsible for the respective programmes. The European Auditor General found fault with the fact that no critical evaluation of the course of the regional development strategy had taken place (1998: Art 6.16). In order to prevent this in the present structural-funds programme, the EU has put on the “Golden Bridle”: based on the results of the mid-term evaluation, the EU decides about the release of a performance related

---

3 The EU asks for relatively clear requirements for the establishments of the programmes. But there is one thing missing: The stipulation *who* is responsible for the establishment and who is finally the one to decide on that. In practice, here in the most trans-boundary regions, a procedure has arisen that the decisions committees of the INTERREG II-programmes are responsible for the establishment of the new programme. Only the representatives of the concerned local public bodies of the Swiss canton were participating. This can be problematic as the area sceneries have changed and new partners have joined. In the area of the Alpenrhein-Bodensee-Hochrhein five there are for instance five new local public bodies – without being represented in the programming committees of INTERREG III.

4 More precise explanations on methodology are to be found in the so-called " methodological work papers" of the General Directorate Regional Policy of the EU Commission.

5 A detailed presentation of the different evaluation phases within the EU-structural funds and a comparison of the different approaches are to be found in *Drewello* (2000).

reserve at the rate of 4% of total budget for the programme. The allocation of the performance reserve follows from a limited number of monitoring indicators "reflecting effectiveness, management and financial implementation" (Council Regulation (EC) No. 1260/1999, Art 44). The indicators are to be established by the programme areas on their own responsibility, based on the EU Commission list in the CIP, and individually registered[6]. The mid-term evaluation thus has an entirely new importance, in that the granting of part of the budget depends on its results. In addition, an ex-post evaluation is planned, which must be completed at the latest three years after the end of the planned time period for the programme. This should give an explanation about how the means were used, effectiveness and efficiency of the interventions and their consequences (Council Regulation (EC) No 1260/1999, Art. 43).

The results of the mid-term evaluations and of the final evaluations of the regional programmes will be aggregated at the EU level. Thus a total evaluation of the effectiveness of the community initiative INTERREG III should be made possible. In order that this aggregation can be guaranteed, the EU Commission makes guidelines for the indicators to be evaluated. The following three types of indicators are to be distinguished (cf. European Commission 1999b:8f).

- **Objective Indicators:** These describe the quantitative and qualitative objectives which the individual programme areas want to achieve in the different programme directions (e.g. number of supported projects, number of businesses taking part). Most of these indicators would be set for the regular monitoring and serve, for example, for the preparation of the yearly implementation report of the programme area to the European Commission.
- **Context Indicators:** According to Art. 37 Par. 2(a) of the Council Regulation (EC) No 1260/1999, the yearly implementation report to the EU also describes changes in the framework conditions of cross-frontier regional development. For this evaluation, context indicators are defined which are appropriate to the special needs of the region (e.g. numbers of work places, number of people crossing the border, number of cars in the cross-border traffic).
- **Output and impact indicators**: On the level of the individual measures, indicators to measure the results and effects of the programme are established. These output and impact indicators form the basis for ascertaining and evaluating the results of the programme and its influence on the target groups. The impact indicators are, for the most part, ascertained by monitoring and by agreement with project representatives. For example, if a cross-border service is supported, measuring the user-satisfaction for a supported service can already be agreed with the project representatives. For every project, for these indicators, identification numbers to identify the output and performance indicators are specified. They serve to measure the "output" and "effects" of the programme in terms of the agreed objectives.

In connection with the impact indicators, however, the special features of cross-border cooperation must be taken into account. For various reasons, the transboundary "value added" and the effects on political integration cannot be measured easily. The direct effects of a project can be measured with a justifiable expenditure, if different indicators are constantly checked. The indirect workings, on the other hand, are difficult to measure and mainly only with expensive, empirical investigations. In addition, INTERREG-programmes are relatively low funded. Compared with other economic and political influences and their financial provision, the regional-economic influence of INTERREG-projects can be rated as comparatively small. Direct effects often cannot be ascribed to a particular project with certainty. The effects of

6 In contrast to the earlier INTERREG-initiatives, an external mid-term evaluation has been made compulsory. For the earlier initiatives, a self-evaluation was still possible.

the project are more in the fostering of the environment and the improvement of the conditions of the framework.[7]

3.3.2 An example of implementation: INTERREG III A Lake Constance

We show from the example INTERREG III A Programme "Alpine Rhine - Lake Constance - Upper Rhine" what the drawing up of an INTERREG-programme looks like in practice, and how the cooperative work between the EU-levels and the regional bodies appears. The INTERREG Region "Alpine Rhine - Lake Constance - Upper Rhine" comprises four nation states: Germany, Austria, Liechtenstein and Switzerland. The programme area is composed of the following subregions:

Germany
- Federal State of Baden-Wurtttemberg (districts of Waldshut, Black Forest-Baar, Constance and Lake Constance)
- Federal State of Bavaria (districts of Lindau, Oberallgäu and the City of Kempten.

Austria
- Federal State of Vorarlberg

Switzerland
- The Cantons of St.Gallen, Appenzell-Ausserrhoden, Appenzell-Innerrhoden, Thurgau, Schaffhausen, Gräubunden, Glarus, Zürich, Aargau.

The Programme area has a total area of 22.187 km², the maximum distance from east to west is about 210 km, from north to south about 240 km. Approximately 4.5 million people live and work in the area.

The INTERREG III A Programme "Alpine Rhine - Lake Constance - Upper Rhine" has received a grant of about € 17.7 million from the European Funds for Regional Development as well as a good € 4 million from the Swiss government's INTERREG decision. These means can be used by the programme area on their own responsibility to support projects which can obtain an intensification of cooperation or an improvement of the economic situation in the border region. The EU does not intervene in any way in the decisions on individual projects. In NPM-terminology, the programme region receives a global grant to achieve the objectives of INTERREG III. The allocation of this global budget to the border regions is linked by the EU to the meeting of certain framework conditions. These conditions are fixed by the General Regulation on the Structural Funds (Council Regulation (ED) No 1260/1999) and by the INTERREG-Guideline (Commission Communications of 28.4.2000). As well as these official documents, there is also a range of informal guidelines, working papers, and outlines on the programming. For the approval process for the release of the EU funds, the part played by bargaining – entirely in accordance with the Anglo-Saxon political tradition – between the EU-Commission and the representatives from the programme areas should not be underestimated.

Programming

The procedures set out by the EU were also used in the Lake Constance programme. On the basis of a SWOT-analysis, a programme draft with four main priorities, each with several measures, was formulated. A consultation process took part, in which about 300 public institutions, the social partners and NGOs were involved. Parallel to the drawing up of the programme, the Ex-ante evaluation was carried out by an external office. For this a participative evaluation approach was chosen, which aimed at closely involving the programme planners in the evaluation process. Before the approval of the programme, various rounds of bargaining between the EU Commission and the programme area took place. In the meantime, the first project was approved and could accordingly by supported EU Structural funds money.

---

7 Bussmann (1995: 371) also draws attention to the problem of assigning effects to causes in a political intervention, and proposes that "plausible evidence should be shown that the objectives have been achieved through government action, and that other miscellaneous competing factors should be disregarded."

Processes for decision-making and implementation

In connection with the organisational arrangements, it was attempted in the programme area to keep to the EU guidelines, and, at the same time, to create an organisation which is adequate for the problem and client oriented. The political strategic decisions are made by the accompanying committee, and its subordinate steering committee. The accompanying committee is composed of representatives from affected regional bodies, from the social partners and from the NGOs (43 in total). On the steering committee, essentially the working body, there is merely a representative from each the national countries taking part. The programme implementation is overseen by a joint administrative authority and the Joint Technical Secretariat, allocated to it. These are supported by four so-called "network positions", in order to guarantee greater client contact. The paying authority is taken out of the public area to a private institution (ERP-Funds in Vienna). This also takes over important tasks on the monitoring of the programme. For the financial control, the respective national auditing courts and the EU auditors are responsible. Here the separation between the political-strategic level and the executive level, demanded by NPM, is even doubled. On the one hand, in the relationship of the EU with the individual programme areas, and on the other hand, within the individual programme areas, between the accompanying committee, on the one hand, and the administrative authorities, on the other.

Monitoring, controlling and evaluation

Within the INTERREG III-Programme Lake Constance, a thorough attempt is made to observe the EU guidelines on monitoring, controlling and evaluation. For CIP and the Programme Supplement therefore, concrete output, results and effects indicators are formulated, and should be regularly recorded, for each individual measure. Because projects are not put into practice by the authorities responsible for the programme, the duty of regularly recording the indicators is passed on obligatorily**,** to those carrying out the projects: In the support contracts with the individual project participants, indicators for each individual project are laid down. The project-responsible participants are thus required to present annually a record of these indicators together with the financial accounts to the body responsible for the programme. In the course of the regular monitoring, these results are aggregated for the entire programme area, and passed on to the EU Commission in the yearly operational reports. If the EU guidelines are examined in connection with the complete monitoring and evaluation system of the programme, then a very intensive effect-orientation of the whole Community initiative INTERREG is seen: With the help, in part, of massive requisites (4% performance reserve as a means of exerting pressure for the mid-term evaluation), the EU Commission attempts to push through, in NPM terms, a "final directing" in the individual programme areas. The "success" of the individual programmes should be measured with the help of a well-thought out and very precise evaluation system. In view of the financial limitations of individual programmes and above all, of the individually supported projects[8], this raises the question as to whether the expense for the evaluation demanded here, is justified.

4 The connection between the new regional policy and NPM

How can the regional support through INTERREG and its concrete implementation in the case study example INTERREG II a Lake Constance now be examined from the view point of NPM? In what follows, we take the four previously mentioned four elements of the NPM typical control, and examine, if and how they are used in practical EU regional policy.

8 The average support sum for INTERREG II in the programme are Alpine Rhine-Lake Constance- Upper Rhine was about 100,000 €.

- **Effect-orientation:** Together with evaluation, the EU demands from individual programme areas a clear orientation towards the effects. It wants to evaluate the “success” of individual programmes in terms of targeted effects and not simply from output or achievement of objectives. With the help of the-compulsory-setting of different indicators (quantitative target indicators, context indicators, and effect indicators) the individual programme areas are forced to work with topic of effect-oriented programme planning. For the EU-Commission the problem of the “measurability” of effects, is clearly known, particularly those of the so-called cross-border values. It values, however, the learning effects for the individual administrations at the regional levels higher than the methodological problems and the high work expenditure. In this connection NPM and INTERREG are absolutely comparable and are battling with the same problems. However, the effects control makes a relatively slim administrative organisation possible. At the EU level only a very small administrative unit is employed for the entire content and organisational implementation of the Community initiative. Only twelve people in the General Direction Regional Policy implement a support sum of 4.87 billion €!
- **Linking of performance and budget responsibility:** In possibly no other area of regional policy, also at the decentralised level, does such a well-thought out system of programme monitoring and evaluation exist. The EU is here making an important contribution to the implementation of an integrated performance and financial control system in public administration - even when it is using “gentle force” to do it. The example of granting the performance reserve only after the presentation of the mid-term evaluation shows this. Just the guidelines on performance control also carry the danger of making too great demands on those responsible for the regional programmes and on those responsible for the individual projects. For the responsible persons as for the clients, the guidelines, from their point of view unnecessarily expensive, can provoke resistance. Generally, it is clear that INTERREG, with its decentralised responsibility for the budget as well as for performance achievement, follows the typical NPM course.
- **Customer involvement:** In contrast to the earlier INTERREG-initiatives, an attempt has been made to pay greater attention to the interests of the target groups. The EU uses information and publicity measures to try to achieve this. It should be ensured that every potential client is informed of the existence of the support programme, and in the position to make an appropriate support application. Also on the regional level client orientation relations plays an important role. For example, for the programme area Alpine Rhine - Lake Constance - Upper Rhine, a communication and education principle was worked out ((provided with at least 300,000 Euros) In addition, the aspect of client orientation in the development organisation was optimised. A new feature is a common contact point and a common application form, in contrast to previously, when for a project in three countries, an application had to be made in each. There is also today a paying authority which pays out all public support money, including the “non-European” money from Switzerland. Earlier there were separate special paying and accounting arrangements. In spite of the stated wishes of the regional bodies for client orientation, the EU guidelines on programme administration result in the applicants to INTERREG III having to expend an immense effort. Already on the application form, the “clients” learn from almost forty pages what are the information requirements on effects, quality, use, costs, competitive conformity and cross-section targets demanded by the EU.
- **Market mechanisms:** The double separation between guarantors and contractors within the Community Initiative **INTERREG** can follow on from the respective allocations in competitive procedures. CIP (and the 'Programme Supplement') can be seen as 'performance tasks' of the EU-Commission and of the regional monitoring committee for the administrative authority. This new model also meets the perception of the NPM.

The EU attempts to take into account many requirements of the NPM and also the results of discussions about the new federalism when implementing the Community initiative INTERREG III. In comparison to the earlier INTERREG initiative, this is especially true in the clearly marked approach to a final programming instead of a conditional programming whose only criteria for success is the legal use of the allocated EU Structural Funds money. The same criteria also apply to the far reaching decentralization of administration without any input from the national countries. And this is also particularly true of the strong effect orientation of the whole programme with the simultaneous building in of a comprehensive monitoring and evaluation system. It is as yet unclear how far the guidelines of the EU especially in connection with the evaluation system may be contra-productive to the goal of an effective and efficient implementation of the initiative at the regional level. This cannot be known until the final evaluation of the INTERREG III programmes. In any case the form of the INTERREG III initiative appears to be a step in the right direction. The approach to the basics of NPM will certainly have an important learning effect of all the national and regional administrations which are involved.

5 Introduction of effect orientation through the back door?

The experience with effect orientation in the area of practical regional policy makes it possible for typical elements of NPM to make sense also in relationships between the EU, national countries and the regions. Even those countries and regions which have up to now successfully and emphatically stood against the introduction of NPM, now are compelled to seriously come to terms with the new rules of effect oriented control. This is especially true of the countries from our case study and probably also for a number of French-speaking regions. Definitely it is no longer the case today that a simple input-oriented view point automatically leads to success. Because of this, one can expect that the European Structural Fund Programme will contribute to the introduction of effect orientation in the national and regional policy 'through the back door'. Through a classic top-down approach the introduction of NPM in administrative units is encouraged. Adminstrative units are not hierarchically subordinated in this policy area of the EU.

In concrete implementation the new model of a practical regional policy 'Type NPM' is anything but unproblematic. Experienced NPM reformers and economists know of various pitfalls which are to be taken into account when introducing effect oriented control. Many critical voices (e.g. Lynn 1998) need to be heard and taken seriously.

- The separation of output and outcome and the associated demand for an effect-oriented control remain a methodological challenge for NPM, which cannot always be solved in a satisfactory way. Effective, reliable and economical to record indicators are often lacking, and there is considerable danger of NPM elements creating a new bureaucracy.
- The new control model demands a replacement of the detailed control by individual authorities with an assessment of global success. Effects cannot be measured as precisely as in the use of resources, which are recorded in accounts. They must be observed, evaluated and assessed. Departures from the guidelines are more likely than strict observance. All these things demand that those involved put aside comfortably acquired habits.
- As already mentioned, the recording and assessment of effects requires new ways of thinking on the part of the authorities concerned. If the effects control is carried out with the same bureaucratic rationale, it soon happens that the expense needed to carry out the effect control bears no relation to the benefits which should be generated by the project or the measures.
- After all, it must be made clear that NPM is a form of bureaucracy, too. The guaranteeing government can only take its role seriously, if it is a strong government. Whoever works for himself needs to behave less strongly towards a third party, than someone who allows others to work for themselves (and whose own interests must be channelled). To some extent, the EU has to find ways and means of strengthening its position, against the regions, as guarantor of results. This can be achieved by incentives (e.g. supplementary payments) or by regulations.

Summarizing, it can be said that the new orientation of the European regional policy is an important step in the right direction. However, every participant in this political field should be aware of the pitfalls that exist. Interestingly, in implementing this effect-oriented regional policy, the EU has not made the mistake made by many NPM pioneers of announcing the new system as a "new paradigm". Rather it has attempted to follow a pragmatic (yet consistent) path, without having to commit itself by making too great promises. The EU-authorities also try actively to assist the regional participants in setting up appropriate structures and processes, and so avoid existing pitfalls. This applies especially to the area of effects assessment, for which the EU in its MEANS-Programme (1999) has prepared comprehensive "learning material" with valid examples in the area of regional policy for the regional participants.

The present structural funds period therefore presents an important "learning phase" in the implementation of an effect-oriented regional support in Europe. The different participants in this multi-level system have to first learn to cope with the rules of this new control. This is true not only for the lower regional levels which are responsible for implementation. It is also particularly true for the EU authorities responsible for the strategic alignment and evaluation of the results. Effect oriented regional policy also demands a "removal of bureaucracy" for regional policy at this level. In the long term, a European regional policy can only be successful if all those involved have internalised the basic objectives of NPM and can concentrate on their relevant tasks.

References

Barzelay, Michael. 2001. The New Public Management. Improving Research and Policy Dialogue. Berkeley, Los Angeles, London: University of California Press.

Bussmann, Werner. 1995. "Wirkungsorientierte Verwaltung, NPM und Evaluation"; pp. 367 - 378 in Umbruch in Politik und Verwaltung. Ansichten und Erfahrungen zum New Public Management in der Schweiz edited by Halblützel, Peter, Haldemann, Theo, Schedler, Kuno, Schwaar, Karl; Bern, Haupt Verlag.

Delors, Jacques. 1995. "Die Rolle der Region bei europäischen Integration". pp. 16 - 26 in: Europa der Regionen. Entstehung - Aufgaben - Perspektiven des Ausschusses der Regionen edited by Hierl, Hubert. Bonn: Economica.

Drewello, Hansjörg. 2001. Die Evaluation der grenzüberschreitenden Zusammenarbeit. Das Beispiel Oberrhein. Beiträge zur Regionalwirtschaft No. 4. St. Gallen: Institut für Öffentliche Dienstleistungen und Tourismus (IDT-HSG).

Eckey, Hans-Friedrich. 1996. "Regionale Strukturpolitik". Pp. 815 - 821 in Handwörterbuch zur Raumordnung. Hannover: ARL.

European Commission. 1999a. The Ex-ante evaluation of the Structural Funds interventions. Working paper 2 for the programming period 2000-2006. Brussels: Directorate-General Regional Policy And Cohesion.

European Commission. 1999b. Indicators for Monitoring and Evaluation: An indicative methodology. Working paper 3 for the programming period 2000-2006. Brussels: Directorate-General Regional Policy And Cohesion.

European Court of Auditors. 1998. Special report No 15/98 on the assessment of Structural Fund intervention for the 1989-1993 and 1994-1999 periods together with the Commission's replies. Official Journal of the European Communities, C 347, Vol. 41, 16 November 1998.

Lynn, Laurence E. 1998. "A critical analysis of the New Public Management." International Public Management Journal Vol 1: 107 - 123.

Mäding, Heinrich. 1994. "Verwaltung im Wettbewerb der Regionen". Pp. 1 - 24 in Archiv für Kommunalwissenschaft. No. 1-2.

Maillat, Denis. 1995. "Territorial dynamic, innovative milieus and regional policy". Pp. 157 - 165 in Entrepreneurship and Regional Development, Vol. 7, No. 1.

McLaughlin, Kate, Stephen P. Osborne, and Ewan Ferlie, eds. 2002. New Public Management. Current trends and future prospects. London/New York: Routledge.

MEANS-Programme. 1999. MEANS Collection - Evaluation of socio-economic programmes. Volumes 1-6. Bruxelles: European Commisson.

Morgan, Kevin. 1997. "The Learning Region: Institutions, Innovation and Regional Renewal". Pp. 491 - 503 in Regional Studies, Vol. 31, No. 5.

Osborne, Stephen P. , and Kate McLaughlin. 2002. "The New Public Management in Context." Pp. pp. 7 - 14 in New Public Management. Current trends and future prospects, edited by Kate McLaughlin, Stephen P. Osborne and Ewan Ferlie. London/New York: Routledge.

Piore, Michael J.; Sabel, Charles F. 1984. The Second Industrial Divide. Possibilities for prosperity. New York.

Pollitt, Christopher. 2002. "The New Public Management in International Perspective." Pp. pp. 274 - 292 in New Public Management. Current trends and future prospects, edited by Kate McLaughlin, Stephen P. Osborne and Ewan Ferlie. London/New York: Routledge.

Schedler, Kuno , and Proeller, Isabella. 2000. New Public Management; Bern; Haupt

Schedler, Kuno, and Isabella Proeller. 2002. "The New Public Management. A perspective from mainland Europe." Pp. 163 - 180 in New Public Management. Current trends and future prospects, edited by Kate McLaughlin, Stephen P. Osborne and Ewan Ferlie. London/New York: Routledge.

Schedler, Kuno, and Jürg Felix. 2000. "Quality in the public sector: the customer perspective." International Public Management Journal Vol. 3: pp. 125 - 143.

Schedler, Kuno. 2000. "Gewährleistungsstaat - eine Konzeption für den Staat im New Public Management." Berliner Debatte INITIAL Vol. 11: pp. 5 - 18.

Schleicher-Tappeser et. al. (1997): Sustainable Regional Development. Freiburg i.B.: EURES-Institut (EURES discussion paper dp-60).

Sternberg, Rolf. 1999. "Innovative Netzwerke und Regionalentwicklung". Pp. 78 - 104 in Europäische Einflüsse auf die Raum- und Regionalentwicklung am Beispiel des Naturschutzes, der Agenda 2000 und des regionalen Milieus, edited by Akademie für Raumforschung und Landesplanung (ARL). Hannover: ARL.

Thierstein, Alain, and Walser, Manfred. 2000. Die nachhaltige Region. Ein Handlungsmodell, Bern: Haupt.

Tiemann, Susanne. 1995. "Die Regionalpolitik der Europäischen Gemeinschaft aus der Sicht des Wirtschafts- nd Sozialausschusses". Pp. 69 - 76 in Europa der Regionen. Entstehung - Aufgaben - Perspektiven des Ausschusses der Regionen, edited by Hierl, Hubert. Bonn: Economica.