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Lisbon earmarking in the Polish region of Wielkopolska - does it tell the whole truth about Lisbon-oriented expenditures?

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Lisbon earmarking in the Polish region of Wielkopolska – does it tell the whole truth about Lisbon-oriented expenditures?

At the end of the 1990s, the challenges of globalization and decreasing competitiveness of the EU economy led to the implementation of a new action plan known as the Lisbon Strategy. It was aimed at improving the position of the European Union in the global economy - especially with respect to the United States. Innovations, competitiveness, dynamic knowledge-based economy, greater employment, sustainable economic growth became the main objectives of the plan. The Lisbon Strategy was modified in 2005. Nowadays it is followed by Europe 2020 – the main strategy of the EU. In order to achieve the goals of the Lisbon Strategy the European Union decided to put into force so called “earmarking” which meant dedicating Cohesion Policy funds to strengthen- among others- competitiveness, research and development activities, human capital and energy efficiency. Earmarking has created the criteria of evaluating the pro – Lisbon expenditures within the operational programmes. The main aim of this paper is to present the results of the analysis of Lisbon – oriented expenditures within the Regional Operational Programme 2007-2013 (WROP) for the Wielkopolska region in Poland. It is especially of great importance since Poland has become the largest national beneficiary of EU Cohesion Policy expenditure within the Financial Framework 2007-2013 which has created a great opportunity for the Polish regions to accelerate and improve the long-term quality of their socio-economic development. This paper will present the results of the analysis of compliance of approximately 1800 projects within WROP with the objectives of the Lisbon Strategy. Among the 33 intervention categories under the WROP, 16 were identified as those belonging to earmarking categories. The remaining 17 intervention categories were analyzed in detail in order to estimate the degree of their impact on the implementation of the Lisbon Strategy goals. The preliminary results indicate that the part of non-earmarking expenditure within WROP significantly pursues the goals of the Lisbon Strategy. It gives rise to a discussion on the rigidity of allocations of the EU funds. The conclusions might make a contribution to the debate regarding the rules of funds allocation within the Cohesion Policy in the new Financial Framework 2014-2020.

Key words: programming, cohesion policy, Lisbon strategy, earmarking

LISBON EARMARKING IN THE POLISH REGION OF WIELKOPOLSKA – does it tell the whole truth about Lisbon-oriented expenditure?

1. *Introduction and purpose of the study.*

At the end of the 90's, the challenges associated with globalisation and competitiveness of other world economies outpacing the European Union as well as the manifestation of deeper structural barriers to economic growth in Europe and its general slow-down led to the adoption of an action plan under the name of the Lisbon Strategy¹. After several years from the adoption of the Lisbon Strategy, the effects of its implementation were evaluated as insufficient and its provisions were renewed (in 2005). In the Renewed Lisbon Strategy, the number of objectives was reduced, focusing on economic growth and jobs. The overriding goal of the Renewed Lisbon Strategy was to ensure that: (1) Europe would be more attractive place to invest and work; (2) knowledge and innovation would be the beating heart of European growth; and (3) policies would be shaped to allow businesses to create more and better jobs.

To better implement the Strategy, at the relaunch of the Lisbon Strategy² it was announced that the idea of a Partnership for Growth and Jobs would be promoted, supported by a Union Action Programme and national action programmes containing firm commitments of the Member States, and in the first place, a set of integrated guidelines related to the Lisbon Strategy and being a framework of action for the Member States would be introduced³. The above-mentioned decisions of the European Commission were translated into action in Poland by adopting “The National Reform Programme for the implementation of the Lisbon Strategy, 2008 – 2011”, that is, a medium-term planning document that contains structural reforms necessary to provide the basis for sustainable development of the country and to achieve the greatest possible progress in the process of implementation of the goals set in the Lisbon Strategy. The operational programmes incorporated Lisbon-related actions consistent with the

¹ The Lisbon Strategy, adopted in 2000 at the European Union Summit and revised at the European Union Summit in Gothenburg in 2001, provides for the transformation of the European Union, by building a knowledge-based economy and society, into the most competitive global economy within only ten years. These actions result from an ongoing rivalry with the USA and Japan for the global economic leadership. The Lisbon Strategy has three pillars: economic, social, and ecological. Its implementation is to serve the following objectives: (1) a quick transition to a knowledge-based economy; (2) liberalisation and integration of areas that are still outside the Common Market; (3) development of entrepreneurship; (4) increased employment and a change in the social model; and (5) providing a sound basis for sustainable development (see J. Szlachta, 2005). At the European Union Summit in March 2005, a new document was accepted: “Working together for growth and jobs. A new start for the Lisbon Strategy”, which modified the original strategy. The following priorities of action until 2010 were adopted: to make Europe a more attractive place to invest and work; to develop knowledge and innovation for growth; to create more and better jobs (see “Working together for...”, 2005). These priorities of the Renewed Lisbon Strategy were transferred to the Community Strategic Guidelines.

² Communication to the spring European Council: “Working together for growth and jobs. A new start for the Lisbon Strategy”, Brussels, 2005.

³ “Integrated Guidelines for growth and jobs (2005 – 2008)”; this document was published in the Official Journal of the European Union on 6 August 2005;

recommendations included in the Community Strategic Guidelines which stated that it was necessary to be more identified with the objectives of the renewed Lisbon Strategy at each level of regional development management⁴.

At the same time, in order to improve the coordination of cohesion policy, the so-called earmarking of the Structural Funds was introduced in the European Union, which means that the implementation of cohesion policy objectives should be subordinate to the assumptions of the renewed Lisbon Strategy. This means that, depending on the objective, from 60% to 75% of all funds must be allocated to support projects that serve the achievement of the Lisbon Strategy goals⁵. To better implement the principle of earmarking, the European Council defined Structural Fund intervention categories that serve the implementation of the Lisbon Strategy⁶, the so-called *earmarking categories* – this group includes 48⁷ out of all 86 defined categories of intervention of the Structural Funds 2007-2013. Under the 2007-2013 financial perspective, Poland decided voluntarily to implement cohesion policy using the so-called *earmarking of funds*, committing itself to allocate for the implementation of the Lisbon Strategy a minimum of 60% of the European Union contribution to the National Strategic Reference Framework under the “Convergence” objective. The earmarking ratio for the 16 Regional Operational Programmes in Poland was assumed at a level of 42%⁸.

The purpose of this article is to carry out a study on earmarking of the Structural Funds in the context of the implementation of the Regional Operational Programmes (ROPs) in Poland (on the example of the study of the Wielkopolska Regional Operational Programme 2007-2013 (WROP)). The present article compares the results of the analysis of WROP Lisbon-related expenditure measured by (1) the earmarking method and (2) the method, proposed in this article, for estimating to what extent the WROP projects comply with the guidelines of the Renewed Lisbon Strategy. Moreover, the HERMIN model will be used to analyse the impact of those expenditures on the region’s economy. The presentation of this type of comparison will allow us to make conclusions arising from the application of the earmarking method as a tool used to measure Lisbon-oriented expenditure under one of the

⁴ The National Reform Programme for the implementation of the Lisbon Strategy, 2008 – 2011, Warszawa 2008.

⁵ Churski P., [ed. Parysek J.J., Strykiewicz T.: *Region społeczno-ekonomiczny i rozwój regionalny*] *Przemiany polskiej polityki regionalnej po akcesji do UE. Europejskie uwarunkowania – krajowe konsekwencje* [Transformations of Polish regional policy after the accession to the European Union. European determinants – domestic consequences], Bogucki Wydawnictwo Naukowe, 2008.

⁶ The Council Regulation (EC) No 1083/2006 of 11 July 2006.

⁷ In its information paper (the Commission’s Information Paper No 1: Earmarking of 28 February 2007), the European Commission linked the above earmarking categories to 15 out of the 24 guidelines (“Integrated Guidelines for growth and jobs (2005 – 2008)”; this document was published in the Official Journal of the European Union on 6 August 2005 and then by the Ministry of Regional Development in March 2007 to the Renewed Lisbon Strategy.

⁸ The National Strategic Reference Framework 2007 – 2013 in support of growth and jobs. National Cohesion Policy. Ministry of Regional Development, Warszawa 2007; Table 11, p. 121.

ROPs. This type of conclusions will serve to answer the main research question: Is earmarking of funds a satisfactory tool to allocate and measure Lisbon-related expenditure in the Polish reality of the implementation of the Regional Operational Programmes? Taking into account the fact that the earmarking categories determined the construction of the expenditure structure under the operational programmes implemented in Poland during the period 2007 - 2013 and given the new approaching EU financial perspective and the probability of continuation of the idea of earmarking in the period 2014 - 2020⁹ (as a tool to measure Europe 2020-related expenditure), these are actual problems.

2. Earmarking of European funds in relation to the Regional Operational Programmes in Poland.

The National Strategic Reference Framework 2007 – 2013 (NSRF) document includes a table of allocations for Poland under particular earmarking categories. It shows that the 16 ROPs implemented in Poland provide for EU funding contribution under 37 out of the 48 earmarking categories (it should be stressed that in each of the regions only a part of the above-mentioned categories will be covered). A favour granted to EU 10¹⁰ was the expansion of the catalogue of earmarking expenditure to include expenditure on transport infrastructure (related to expressways and motorways) as well as on power and telecommunications infrastructure.

In one of the studies on the implementation of the Lisbon Strategy, it is noted that *“the Lisbon Strategy, as a planning and strategic document, is a document extremely difficult to implement. Its objectives have been set for the European Union as a whole, whereas its implementation is carried out in individual Member States that face different problems”*¹¹. In analysing the contribution of the implementation of the Regional Operational Programmes in Poland to the achievement of the Lisbon goals, two equally important elements should be taken into consideration: (1) the social-economic context of Poland in relation to the so-called old European Union countries (EU – 15), and (2) the fact that the Regional Operational Programmes are an inherent part of the aid programmes implemented in our country and of national cohesion policy.

The specificity of the Regional Operational Programmes is their structure which is modelled depending on the needs of a particular region. The measures taken under the ROPs

⁹ Europe 2020 Strategy.

¹⁰ As EU - 10 countries we understand new members of the EU since 2004 and 2007: Bulgaria, the Czech Republic, Estonian, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

¹¹ Ed. Radło Mariusz Jan. Jak Realizować Strategię Lizbońską w regionach?, Instytut Badań nad Gospodarką Rynkową [How to implement the Lisbon Strategy in regions? The Gdańsk Institute for Market Economics], Warszawa 2007.

quite often fall within the earmarking categories to a little extent, despite the fact that it would be difficult to deny their contribution to building regional capacity. Poland, as a country that is trying to catch up the development gap in relation to the richer EU-15 countries, still requires a number of investments that are not covered by the area of Lisbon-related interventions identified by earmarking, but which are a necessary condition and the starting point for the achievement of effectiveness of the initiatives for growth and jobs (and which determine the attainment of the Lisbon objectives involving, among others, an improvement in regional technical, social or environmental infrastructure in order to achieve cohesion with the European networks).

It is also important that the regional programmes focus on measures promoting economic growth and thus affecting indirectly increased regional employment. The ROPs are complementary to the actions taken under the Sectoral Operational Programmes, such as: Innovative Economy, Human Capital, Infrastructure and Environment (which, in accordance with the NSRF 2007 – 2013, are the key instrument for the implementation of the Lisbon objectives). At the stage of programming the 2007-2013 financial perspective, doubts were expressed regarding the amount of funds allocated to the earmarking categories¹² under regional programmes given the potential risk that the expenditure categories included in earmarking would be too much a burden and that they would not take into account the needs of individual regions. *“This strategy primarily consists in “working together for growth and jobs”, as stated in one of the basic documents defining its present dimension [“Working together for growth and jobs. A new start for..”] (...) From this point of view, each measure that leads to faster economic growth or increased employment is – through its final effect, and not through the way in which it has an impact or the thematic area it relates to – a contribution to the achievement of its goals.”*¹³ In the light of the above, it would undoubtedly be too great a simplification to consider projects not included in the earmarking categories as those that do not contribute to the achievement of the Lisbon Strategy objectives, and this can be easily noticed by analysing the results of the study on Lisbon-related expenditure under the Wielkopolska Operational Regional Programme 2007 – 2013¹⁴.

¹² In accordance with Annex 2 of the National Strategic Reference Framework 2007 – 2013 in support of growth and jobs.

¹³ Kaczor T. [ed. Radło Mariusz Jan: Jak realizować Strategię Lizbońską w regionach?], Potencjalny wpływ Regionalnych Programów Operacyjnych na osiągnięcie celów Strategii Lizbońskiej, Instytut Badań nad Gospodarką Rynkową [The potential impact of the Regional Operational Programmes on the achievement of the Lisbon Strategy objectives], Instytut Badań nad Gospodarką Rynkową, Warszawa 2007

¹⁴ The report entitled “Wpływ projektów pro-lizbońskich wspartych w ramach Wielkopolskiego Regionalnego Programu Operacyjnego na lata 2007 – 2013 na rozwój społeczno-gospodarczy regionu” [The impact of Lisbon-oriented projects supported under the Wielkopolska Regional Operational Programme 2007 – 2013 on the socio-economic development of the region] was prepared by the Wrocław Regional Development Agency in November 2011; this report had been commissioned by the Marshal’s Office of Wielkopolskie Voivodeship.

Table 1. Structure of Wielkopolska Operational Regional Programme 2007 - 2013: priorities and measures.

Priority		Measures (specific objectives)
I	COMPETITIVENESS OF ENTERPRISES	1.1 Modernization and enlargement of regional transport system 1.2 Protection of environment infrastructure 1.3 Regional social infrastructure 1.4 Tourism and culture development 1.5 Information society infrastructure 1.6 Public transport development in agglomerations
II	COMMUNICATION INFRASTRUCTURE	2.1 Competences development in connection with regional labor market needs and constant education possibilities of region 2.2. Equalization of educational chances by scholarship programmes 2.3 Re-orientation of profession for persons leaving the agriculture 2.4 Re-orientation of profession for persons hazarded by restructuring processes 2.5 Enterprise promotion 2.6 Regional innovative strategies and transfer of knowledge
III	THE ENVIRONMENT	3.1 Rural areas 3.2 Restructuring areas 3.3 Degraded communal, post-industrial and post-military areas 3.4 Micro-enterprises 3.5 Local social infrastructure
IV	REVITALISATION OF PROBLEM AREA	4.1 Revitalisation of urban areas 4.2 Revitalisation of deprived post-industrial and post-military areas
V	INFRASTRUCTURE FOR HUMAN CAPITAL	5.1 Adapting the educational system to the needs of the labour market 5.2 Improving standards of health care 5.3 Reducing the level of social morbidity 5.4 Aligning intraregional disparities in access to social infrastructure 5.5 Strengthening the infrastructure of the NGO sector
VI	TOURISM AND CULTURAL ENVIRONMENT	6.1 Tourism 6.2 Increase in the contribution of culture in the lives of the inhabitants

Source: Wielkopolska Operational Regional Programme 2007 - 2013.

3. The example of the Wielkopolska Operational Regional Programme 2007 – 2013.

According to its programmatic document, the Wielkopolska Operational Regional Programme 2007 – 2013 (hereinafter WROP) assumes that 24 out of the 48 earmarking categories designated for the ROPs will be covered; in keeping with the Commission's Information Paper, they correspond only to 7 out of the 15 guidelines of the Lisbon Strategy¹⁵. In its major part, the WROP allocates resources to the measures focused on the achievement of regional socio-economic cohesion by counteracting the marginalisation of the northern and southern areas of the region and on the measures designed to improve competitiveness. The WROP measures are primarily aimed at the expansion of the national, regional and county transport system, investments in technical infrastructure in investment areas, the introduction of modern environmental technologies, an improvement in water supply and sewerage infrastructure and in environmental safety, investments in educational infrastructure, revitalisation of historical buildings, and modernisation of health infrastructure. In spite of the fact that these are not interventions that fall within the earmarking categories, they show compliance with the Lisbon Strategy guidelines by, among others, taking actions necessary to strengthen the competitiveness of the industrial base (the improvement and expansion of transport and energy infrastructure which, at the same time, result in an improvement in the

¹⁵ The WROP intervention categories relate only to guidelines no. 7, no. 8, no. 9, no. 10, no. 11, no. 15, and no. 16 of the Lisbon Strategy. They are included in Table 2 of the present report in the part relating to the Guidelines of the Renewed Lisbon Strategy.

condition of cross-border infrastructure due to the geographic location of this region) and to develop centres with research institutions and enterprises by providing physical infrastructure in investment areas and making investments in information and communication technology systems. Moreover, the WROP includes measures designed to maintain biodiversity (investments in environmental safety) and to promote environment friendly technologies and solutions, thereby indirectly contributing to the environmental areas of the renewed Lisbon Strategy.

3.1. Guidelines of the Renewed Lisbon Strategy.

The European Council redefined the Lisbon Strategy indicating that the actions at the Community and national level should concentrate as a priority on ensuring stronger sustainable growth and creating more and better jobs. In order to include these priorities in the guidelines for economic policy and employment policy, a package was adopted, the so-called “Integrated Guidelines for growth and jobs (2005 – 2008)”, and these guidelines are the main pillars of the Renewed Lisbon Strategy.

The guidelines of the European Commission contained in the document “Integrated Guidelines for growth and jobs (2005 – 2008)”¹⁶ include the Council Recommendation (EU Council) of 12 July 2005 on the broad guidelines for the economic policies of the Member States and the Community as well as the Council Decision of 12 July 2005 on guidelines for the employment policies of the Member States. This document is an instrument of macroeconomic policy for growth and employment, that is, for the implementation of the overriding objectives of the Lisbon Strategy renewed in 2005¹⁷.

The below table shows the guidelines of the Renewed Lisbon Strategy to which the European Commission referred the classification codes according to the criteria of priority thematic areas (i.e. the categories of intervention) in the 2007 – 2013 programming period¹⁸. The guidelines that are not included in the below summary¹⁹ relate to the institutional and legal areas and are addressed to the authorities of the Member States, therefore they are not taken into consideration in this report. According to the European Commission’s document²⁰, the Lisbon-related categories included in the WROP are assigned to guidelines no. 7 – 11 and 15 – 16.

¹⁶ OJ L 205 of 6 August 2005.

¹⁷ At the same time, this package imposes on the Member States an obligation to develop a National Reform Programme being the national expression of the Lisbon Strategy.

¹⁸ The European Commission linked the classification codes in accordance with the criterion of priority thematic areas in the 2007 – 2013 programming period in the EC’s Information Paper No. 1: Earmarking of 28 February 2007.

¹⁹ That is, guidelines no. 1-6 and 12 – 14.

²⁰ As above.

Table 2. Integrated Guidelines for growth and jobs (2005 – 2008) (The guidelines that are linked by the European Commission to the earmarking categories implemented under the WROP are marked in colour).

Guideline no.	Objective	Number of recommendations / decisions of the Council of the European Union for the Member States
7	Increase and improve investment in R&D, in particular in private business	6
8	Facilitate all forms of innovation	6
9	Facilitate the spread and effective use of ICT and build a fully inclusive information society	6
10	Strengthen the competitive advantages of the industrial base	1
11	Encourage the sustainable use of resources and strengthen the synergies between environmental protection and growth	3
15	Promote a more entrepreneurial culture and create a supportive environment for SMEs	6
16	Expand, improve and link up European infrastructure and complete priority cross-border projects	3
17	Implement employment policies aimed at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion	1
18	Promote a life-cycle approach to work	5
19	Ensure inclusive labour markets, enhance work attractiveness, and make work pay for job-seekers, including disadvantaged people, and the inactive	2
20	Improve matching of labour market needs	3
21	Promote flexibility combined with employment security and reduce labour market segmentation, having due regard to the role of the social partners	4
22	Ensure employment-friendly labour cost developments and wage-setting Mechanisms	2
23	Expand and improve human capital	3
24	To adapt education and training systems in response to new competence Requirements	3

Source: Integrated Guidelines for growth and jobs (2005 – 2008); this document was published in the Official Journal of the European Union on 6 August 2005 - the version published by the Ministry of Regional Development in March 2007.

3.2. Research methodology.

In the analysis of Lisbon-related expenditure under the WROP 2007 – 2013, a method was created and used to measure the estimate relationship between the results of projects implemented under the WROP and the guidelines of the Renewed Lisbon Strategy (Chapter 3.1). In keeping with the overall research concept, all WROP projects were analysed as of 31 December 2010, making an assumption that each of them contributed directly (expenditure included in the earmarking categories) or indirectly (expenditure not covered by earmarking) to the implementation of the Lisbon Strategy assumptions. The analysed pool of projects included 1820 projects co-funded under the 6 Priorities of the WROP 2007 – 2013. The total value of funding covered by the analysis was PLN 7.016.873.539 and the analysis included both domestic match funding and EU funds. The programmatic assumption of the WROP is the allocation of 42% of Community funding under the earmarking categories. An assumption was made in this analysis that one should look at the issue of the implementation of the Lisbon Strategy through the prism of the tasks being performed under the WROP,

regardless of the source of funds used to finance them. This should allow us to gain a fuller picture how the Regional Operational Programmes contribute to the achievement of the Lisbon goals.

During the first stage of the investigation, all categories of Structural Fund interventions present under the WROP (both the earmarking categories and interventions not covered by earmarking) were assigned to the strategic and priority areas of the Lisbon Strategy²¹.

Table 3. Assignment of WROP interventions to the priority objectives and areas²² of the Lisbon Strategy.

LISBON STRATEGY				ECONOMIC GROWTH										INCREASED EMPLOYMENT			
				TO DEVELOP KNOWLEDGE AND INNOVATION FOR GROWTH			TO MAKE EUROPE A MORE ATTRACTIVE PLACE TO INVEST AND WORK										TO CREATE MORE AND BETTER JOBS
WIELKOPOLSKA REGIONAL OPERATIONAL PROGRAMME 2007 – 2013				1. ENTREPRENEURSHIP	2. R+D	3. INNOVATION	4. TRANSPORT INFRASTRUCTURE	5. ENERGY INFRASTRUCTURE	6. TELECOMMUNICATIONS INFRASTRUCTURE	7. ENVIRONMENTAL TECHNOLOGIES	8. RES TECHNOLOGIES	9. ECO-INNOVATION	10. ENERGY INTENSITY	11. INSTITUTIONS, LABOUR MARKET INSTRUMENTS	12. LEARNING AND EDUCATION SYSTEMS	13. ENHANCEMENT OF EMPLOYEE COMPETENCIES	
				NUMBER OF INTERVENTION CATEGORIES	NUMBER OF PROJECTS	PRIORITY	MEASURE	5	6	7	8	9	10	11	12	13	14
02	4	I	1.4	x	x	x				x	x						
03	7	I	1.6	x		x				x							
05	9			x	x	x				x	x						
		I	1.3	x						x							
		I	1.4	x	x	x				x	x						
08	1198			x	x	x				x	x						
		I	1.1	x		x				x							
		I	1.2	x	x	x				x	x						
09	38			x	x	x				x	x						
		I	1.1	x						x							
		I	1.2	x	x	x				x	x						

²¹ According to the document of the Ministry of Regional Development, the priority areas of the Strategy are as follows: (1) economic growth, and (2) increased employment. They include 3 strategic objectives: (1) To develop knowledge and innovation for growth (the following action areas are included in this objective: entrepreneurship, R+D, innovation); (2) To make Europe a more attractive place to invest and work (action areas: transport infrastructure, energy infrastructure, telecommunications infrastructure, environmental technologies, eco-innovation and RSE, energy intensity); and (3) To create more and better jobs (action areas: institutions, labour market instruments, learning and education system, enhancement of employee competencies).

²² The priority areas and objectives of the Lisbon Strategy were presented by the Ministry of Regional Development in an article published on 9 April 2007 on the website www.mrr.gov.pl.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
		I	1.5	x						x						
10	4								x							
		I	1.4						x							
		II	2.7						x							
13	1	II	2.7						x							
15	2	I	1.4		x	x										
16	2	II	2.3				x									
18	1	II	2.4				x									
23	147			x			x		x							
		I	1.7	x			x		x							
		II	2.1				x									
		II	2.2				x									
25	9	II	2.5				x									
29	1	II	2.6				x									
33	1	I	1.7	x				x								
39	3	III	3.7								x					
40	1	III	3.7								x					
41	1	III	3.7								x					
42	2	III	3.7								x					
43	71							x		x	x					
		III	3.2					x		x						
		III	3.7								x					
44	2	III	3.1							x	x	x	x			
45	8			x						x						
		I	1.7	x						x						
		III	3.4							x						
46	35			x						x		x				
		I	1.7	x						x						
		III	3.4							x		x				
51	16	III	3.3							x		x				
52	10	II	2.5				x			x						
53	12									x						
		III	3.5							x						
		III	3.6							x						
54	17						x			x		x				
		III	3.3							x		x				
		III	3.5							x						
		III	3.6				x			x						
57	66	VI	6.1	x			x	x	x	x					x	
58	38	VI	6.2	x			x	x	x	x					x	
59	2	VI	6.2	x			x	x	x	x					x	
61	7			x				x	x		x			x	x	x
		IV	4.1	x				x	x		x			x	x	x
		IV	4.2	x										x	x	x
75	31							x	x		x				x	x
		V	5.1					x	x		x				x	x
		V	5.2					x	x		x				x	x
76	60	V	5.3					x	x		x					

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
79	14	V	5.4											X	X	X
total number of projects	1 820															

Source: Authors' research.

This summary reflects the character of the WROP as a programme focused on economic growth (primarily strengthening the local base of enterprises) and on actions designed to eliminate the weaknesses of the region of Wielkopolska, which at the same time fall within the priority areas of the Lisbon Strategy.

The essence of this research was to estimate the relationship between the results achieved under WROP projects and the guidelines of the Renewed Lisbon Strategy. Taking into account the fact that in its Information Paper the European Commission linked the earmarking categories with selected guidelines, it was concluded that this was a sufficient basis for accepting that projects from the earmarking categories fall under the Strategy-oriented measures in 100% (implementing them directly).

Table 4. The relationship between the integrated guidelines and the classification codes of earmarking expenditure categories for the 2007 – 2013 programming period.

Number of the Renewed Lisbon Strategy guideline ²³	Earmarking category (according to the classification codes for the 2007 – 2013 programming period) ²⁴
7 – 9	02, 03, 09, 13, 15
10, 15	05, 08
11	39 – 43, 52
16	10, 16, 29

Source: The European Commission's Information Paper No 1: Earmarking of 28 February 2007.

The outcomes of projects not undertaken under the earmarking categories were subjected to in-depth analysis. In analysing specific groups of projects, funding applications, the guidelines of the Renewed Lisbon Strategy, and the information on the coherence of the WROP priorities with the Lisbon Strategy guidelines contained in the WROP programmatic document, the panel of experts distinguished four categories of projects in terms of their compliance with the Lisbon Strategy guidelines:

- category A was assigned to Lisbon-related projects consistent with earmarking, which automatically assigned the value of 100% compliance with the Lisbon Strategy guidelines);
- category B - good compliance with the Lisbon Strategy guidelines;
- category C - medium compliance with the Lisbon Strategy guidelines;
- category D - satisfactory compliance with the Lisbon Strategy guidelines;

²³ In accordance with Table 2 in this report.

²⁴ The classification codes enable the identification of intervention categories; such a list is included, among others, in the detailed description of the WROP.

- category E - poor compliance with the Lisbon Strategy guidelines.

Next, making an assumption that only projects implemented under the earmarking categories were characterised by a 100% correlation with the Lisbon Strategy guidelines, it was accepted with respect to the good, medium and satisfactory categories that their construction would be based on an equal distribution of funds on a scale from 0% to 100% (i.e. 25%, 50%, and 75%, respectively), with a deviation of +/-5%.

The research design scheme.

The value of WROP projects as of 31 December 2010		
	PROJECTS IMPLEMENTED UNDER EARMARKING CATEGORIES	PROJECTS NOT UNDERTAKEN UNDER THE EARMARKING CATEGORIES
The way in which projects implement the Strategy	DIRECTLY	INDIRECTLY
The level of compliance with the Lisbon Strategy guidelines	100% (category A)	categories of projects in terms of their compliance with the Lisbon Strategy guidelines: B (70-80%) C (40-50%) D (20-30%) E (1-5%)
The value of projects assigned to the implementation of the Lisbon Strategy assumptions	100%	The sum of estimated percentage shares of the values of projects assigned to the Strategy
TOTAL AMOUNT OF LISBON-ORIENTED WROP EXPENDITURE		

In the further analysis, the values of projects estimated based on the ranges determining the level of compliance of the results of projects with the Lisbon Strategy guidelines are treated as Lisbon-related expenditure. The values of Lisbon-oriented expenditure derived using this method were added to the values of projects from the earmarking categories. This allowed us to obtain the nominal value of WROP expenditure allocated to the implementation of the Lisbon objectives (i.e. the total amount of Lisbon-oriented expenditure of the Programme).

3.3. Results of the study.

The study covered a total of 1820 WROP projects, including 1354 projects that were classified in the earmarking categories (their total value accounted for 31.7% of WROP funding). This means that as little as 466 projects in the categories not covered by earmarking consumed at the same time nearly 70% of WROP funds. Thus, the average value of a project in the earmarking categories was only PLN 1.5 million, whereas in the categories not covered by earmarking – more than PLN 10 million. This is a simplified analysis of the average value of WROP projects, but it allows us to presume that large projects (which are of key importance for the region) were implemented mainly under the categories not covered by earmarking. On the other hand, a numerous group of projects included in the earmarking categories are primarily grants for the enterprise sector with a relatively low average value per project.

The analysis made using the above presented method showed that the nominal value of Lisbon-related WROP expenditure was PLN 3.989.798.209, which accounted for 56.86% of total WROP funding. This amount included expenditure of PLN 2.223.756.805 allocated to the earmarking categories (accounting for 31.7% of WROP funding).

Figure 1 – Lisbon-oriented WROP expenditure as measured by earmarking categories;

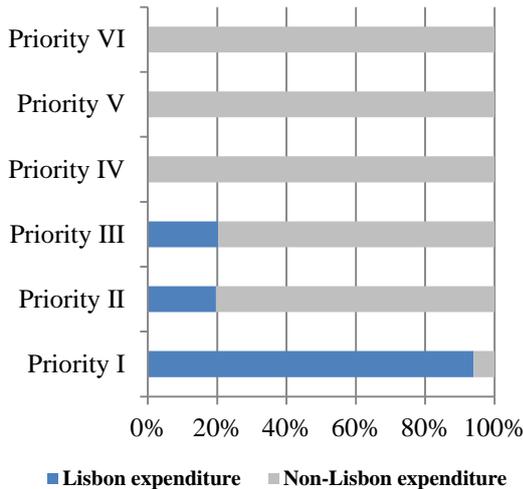
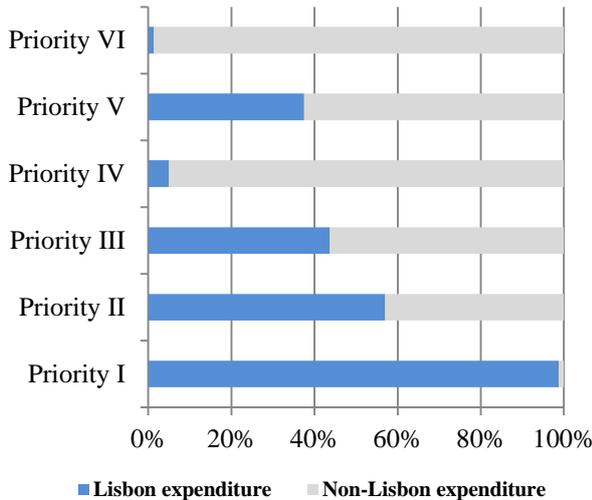


Figure 2 – Lisbon-oriented WROP expenditure as measured by the method for estimating compliance with the guidelines of the Renewed Lisbon Strategy;



Source: Authors’ calculations based on the WROP.

This means that the analysis of the results of projects implemented under the categories not covered by earmarking in relation to the guidelines of the Renewed Lisbon Strategy has shown that Lisbon-oriented expenditure under the Programme is nearly twice higher than it has been determined by earmarking. This is a noticeable difference, even with the simplified assumption made in this study that each project from the earmarking categories implements the Lisbon Strategy objectives in 100%.

The results obtained in this study have also confirmed the role that the WROP performs as the Regional Operational Programme. The present study shows that nearly 54% of Lisbon-related WROP expenditure fell within the Lisbon objective of making Europe a more attractive place to invest and work, while 44% corresponded to the objective of development of knowledge and innovation for growth. The share of Lisbon-related expenditure consistent with the Lisbon objective of creating more and better jobs is relatively low (only 2%), which may result from the fact that the ROPs are financed in whole from the European Regional Development Fund, whereas the direct role of increasing employment has been assigned to the European Social Fund.

Table 5. Lisbon-oriented WROP expenditure as measured by the method for estimating compliance with the guidelines of the Renewed Lisbon Strategy – by objectives and priorities.

LISBON STRATEGY OBJECTIVES	PRIORITY	EXPENDITURE IN CURRENT PRICES (PLN)		EXPENDITURE IN %
TO DEVELOP KNOWLEDGE AND INNOVATION FOR GROWTH	1. ENTREPRENEURSHIP	1 771 192 576	852 307 566	21,36%
	2. R+D		482 257 153	12,09%
	3. INNOVATION		436 627 856	10,94%
TO MAKE EUROPE A MORE ATTRACTIVE PLACE TO INVEST AND WORK	4. TRANSPORT INFRASTRUCTURE	2 132 337 722	1 152 183 843	28,88%
	5. ENERGY INFRASTRUCTURE		126 677 403	3,18%
	6. TELECOMMUNICATIONS INFRASTRUCTURE		423 641 049	10,62%
	7. ENVIRONMENTAL TECHNOLOGIES		205 468 205	5,15%
	8. RES TECHNOLOGIES		150 430 332	3,77%
	9. ECO-INNOVATION		67 594 606	1,69%
	10. ENERGY INTENSITY		6 342 284	0,16%
TO CREATE MORE AND BETTER JOBS	11. INSTITUTIONS, LABOUR MARKET INSTRUMENTS	86 267 912	6 593 236	0,17%
	12. LEARNING AND EDUCATION SYSTEMS		40 191 539	1,01%
	13. ENHANCEMENT OF EMPLOYEE COMPETENCIES		39 483 136	0,99%
TOTAL			3 989 798 209	100%

Source: Authors' calculations based on the WROP.

The macroeconomic simulations carried out using the HERMIN model for the economy of the region of Wielkopolska²⁵ show that funds spent under the earmarking categories²⁶ should contribute to an increase in regional GDP per capita in the period 2008-2020²⁷ on average by 0.27% per year above the level that would be observed in a scenario without these funds. On the other hand, taking into account all expenditure classified in the present study as contributing to the implementation of the Lisbon Strategy objectives (that is, expenditure consistent with the principle of earmarking and expenditure not covered by earmarking but in fact contributing to the implementation of the Lisbon Strategy objectives), the value of this impact would be at a level of 0.63%, i.e. more twice higher compared to the impact of funds officially included in the earmarking categories by the European

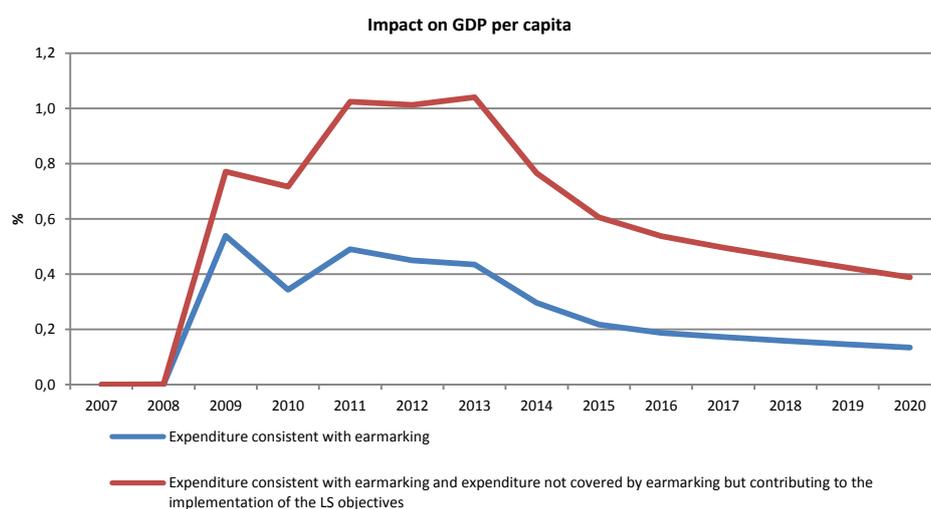
²⁵ The HERMIN model is a macroeconomic model used to estimate the impact of EU funds on the economic processes of areas covered by Community support. It is based on the construction and comparison of two scenarios of development of a region under investigation – a scenario that includes EU financial support and a hypothetical scenario without such support. The difference between these scenarios enables the determination of the scale of impact of EU funds on the development of the economy study. Conventional Keynesian mechanisms are at the core of the model, but it also has neoclassical features. The model was originally constructed to model the Irish economy – its author is John Bradley of the Economic and Social Research Institute in Dublin. It is used now in a number of EU countries, including Poland where, in addition to the national model, 16 regional models have been created to model the impact of EU funds at the regional level. The HERMIN methodology is described in detail in, among others: Bradley J., Untiedt G. “*The COHESION system of HERMIN country and regional models: Description and operating manual*”, Muenster 2007. The present study used the most recent HERMIN model for the economy of Wielkopolska and a detailed description of this model and its macroeconomic assumptions can be found in the publication of Korf T. et al. „*Ocena wpływu realizacji polityki spójności na kształtowanie się wybranych wskaźników makroekonomicznych na poziomie krajowym i regionalnym za pomocą modeli makroekonomicznych HERMIN. Raport końcowy nr 1*” [Evaluation of the impact of the implementation of cohesion policy on selected macroeconomic indicators at the national and regional level using the HERMIN models. Final Report No. 1], WARR, Wrocław 2013.

²⁶ A detailed description of the data on the distribution and structure of WROP 2007-2013 expenditure consistent with the principle of earmarking, which were used in this analysis, can be found in the following report: Kudelko J. et al. „*Wpływ projektów pro-lizbońskich wspartych w ramach Wielkopolskiego Regionalnego Programu Operacyjnego na lata 2007-2013 na rozwój społeczno-gospodarczy regionu*” [The impact of Lisbon-oriented projects supported under the Wielkopolska Regional Operational Programme 2007 – 2013 on the socio-economic development of the region], WARR, Wrocław 2011.

²⁷ The analysis covered the years 2008-2020, that is, the period when WROP (2008-2015) funds are spent and five years after the end of the implementation of the programme (2015-2020) in order to show both short- and long-term effects of the implementation of Lisbon-related interventions carried out under WROP 2007-2013.

Commission. Five years after the termination of the programme (in 2020), the cumulative impact of earmarking expenditure is to be at a level of 4.2% of GDP per capita²⁸, whereas in the case of all Lisbon-oriented expenditure at a level of 9.9% of GDP per capita²⁹.

Figure 3. Comparison of the impact of WROP 2007-2013 expenditure consistent with the principle of earmarking and all expenditure classified as contributing to the implementation of the Lisbon Strategy objectives in the period 2007-2020 on GDP per capita (at constant prices) of Wielkopolskie Voivodeship [%].



Source: Authors' calculations based on the simulations carried out using the HERMIN model for the economy of Wielkopolska.

4. Conclusions.

The Lisbon Strategy was a document difficult to implement at the level of the Member States of the European Union. Similar difficulties apply to all the overriding Strategies determined at the European Union level, including the currently applicable successor of the Lisbon Strategy – Europe 2020. Due to the different scale and type of problems that individual Member States face, efforts to increase economic growth and employment must be carried out in a way that best matches the realities of each of individual regions. In other words, not every measure effectively supporting growth and jobs in a given region falls within the earmarking categories. Earmarking, which as a general rule is an appropriate attempt to increase the effectiveness of the EU development action plan at the level of Member States (and at the regional level), is at the same time a too formalised expenditure criterion and does not take into account the specificity (and needs) of individual states and regions. A special difficulty in spending funds in accordance with earmarking seems to relate to the regional operational programmes which, given the framework of the operational programmes in Poland, are assumed to be directed towards regional needs and to

²⁸ GDP from 2008.

²⁹ GDP from 2008.

be modelled mainly at the regional level. For most of the Polish regions, the most pressing and necessary condition for enhanced development is an improvement in the state of transport and telecommunications infrastructure. Therefore, ROP measures require the focus on the cost-intensive construction and modernisation of roads which are important mainly at the regional and local level, expanding the national road network and bringing it in line with European standards (the construction of the national road and motorway network is financed from the Infrastructure and Environment Operational Programme). ROP infrastructural expenditure does not fall under the category of interventions classified as Lisbon-related expenditure according to earmarking. Nevertheless, an exact analysis of the outcomes of ROP projects shows that the measures taken under the ROPs are undoubtedly more oriented to economic growth and development than it is estimated by earmarking.

As shown by the example of the WROP, a number of cost-intensive investments which are not undertaken under the earmarking categories quite often pursue the objectives of the Lisbon Strategy themselves and complement or even determine the effectiveness of projects implemented under the earmarking categories. In spite of such a large correlation between actions undertaken within and outside the earmarking categories, according to the earmarking tool the ROPs implement the Lisbon Strategy at a very low level. Using this tool, Lisbon-related WROP expenditure accounted for 31.7% of funding, whereas when the alternative method described in this article was applied, 56.86% of WROP funding was classified as Lisbon-oriented expenditure. The macroeconomic simulations carried out using the HERMIN model for the economy of Wielkopolskie Voivodeship show that the average annual impact of funds classified by definition as earmarking expenditure on GDP per capita was 0.27% (in other words, GDP per capita for the period 2004-2020 was on average 0.27% higher than in the hypothetical situation without this type of financial intervention). In the case of all expenditure classified in the present study as contributing to the implementation of the Lisbon Strategy objectives (that is, expenditure consistent with the principle of earmarking and expenditure not covered by earmarking but in fact contributing to the implementation of the Lisbon Strategy objectives), this impact was at a level of 0.62%. The above results confirm the thesis about too high automaticity of official earmarking, at the same time indicating the relatively high weight of projects not undertaken under the earmarking categories in the achievement of the Lisbon Strategy goals.

Therefore, the new EU programming period 2014 – 2020, the possibility of continuing the principle of earmarking with a view to the Europe 2020 Strategy³⁰, and the fact that one can presume that, contrary to the previous financial perspective, Poland will obligatorily have to fulfil the EU requirements concerning the amount of funds falling under the earmarking categories, pose some risks to the Regional Operational Programmes in Poland and in other regions of the EU. In the first place, there is a risk that earmarking of funds or a similar method of allocating and measuring Europe 2020-related expenditure (based on a similar mechanism) will determine the structure of ROP expenditure reducing the pool of resources allocated to investments that must be really undertaken in a particular region in favour of the earmarking categories under which large grants will not be effective without the construction and modernisation of the infrastructural base (e.g. allocating large funds for grants for enterprises or the creation of investment zones will have limited efficiency without an improvement in the state of the transport network and in general spatial accessibility). More rigid rules for cohesion policy expenditure can be particularly adverse to the economically weaker regions of Eastern Poland in which poor transport availability is indicated as the biggest barrier to development. But not only, cost-intensive investments that do not fall under the earmarking categories of expenditure are also of great importance for the better developed regions of Poland, including urban agglomerations in which the lack of an efficient transport system or a good communication network slows down the economic growth and can be a more and more important barrier to development. Hence, a question arises regarding the adaptation of the earmarking catalogue to the specificity of investment needs of the beneficiaries of European cohesion policy (mostly the EU-10 countries, including Poland and its regions), and whether the existing minimum thresholds (ca. 40%) of Lisbon-oriented expenditure under each ROP possibly impose an expenditure structure that will primarily enable the defined thresholds to be reached at the expense of optimal programming of expenditures from the point of view of the needs of a particular region.

³⁰ The focus of cohesion policy on the priorities of the “Europe 2020” strategy is reflected in a draft legislative package, adopted by the European Commission on 6 October 2012, in which the framework for EU cohesion policy for 2014-2020 is presented. In connection with that, the above-mentioned legislation highlights 11 objectives which should be a kind of guide for development policies of individual EU Member States and ensure maximum benefits arising from the use of EU funds by increased focus on results. In addition, these documents provide for the so-called ring fencing.

- At least 50% of resources should be focused on energy efficiency and renewables, research and innovation and SME support in less developed regions of which 6% for energy efficiency and renewables;
- “The proposed Regulation provides for an increased focus on sustainable urban development. The increased focus is to be achieved through the earmarking of a minimum of 5% of ERDF resources for sustainable urban development, the establishment of an urban development platform to promote capacity building and exchange of experience, and the adoption of a list of cities where integrated actions for sustainable urban development will be implemented”;
- „...at least 20 % of the ESF allocation should be dedicated to promoting social inclusion and combating poverty”.

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