

“Policy Integration and Capacity-Building in Regional Sustainable Development: Analysis of Experiences in Europe”

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[DRAFT – COMMENTS WELCOME.]

Introduction: Regions and Sustainable Development

The concept of sustainable development is with us since about two decades. Declarations have been signed, strategies have been drafted, conferences and workshops have been held. It is fair to ask now: What has happened on the ground? How far has sustainable development been implemented? Therefore, the focus of this paper is to analyse the practical implications of sustainable development policy-making in Europe. In so doing, we will concentrate on one particular level of policy-making: the European regions.

Regions – as spatial and also administrative entity – have become ever more important for EU policy-making in general, and for sustainable development in particular. This is the case mainly for two reasons.

First, in a multi-level governance system, regions are in a proximity to the citizens and other important stakeholders. On the one hand, since the Maastricht Treaty (signed in 1992), the sub-national levels have gained more influence in policy-making. The regions could secure a formal recognition in the EU’s treaty arrangements as well as important rights of access to European decision-making. One of the most important issues was that the ‘principle of subsidiarity’ was formally incorporated into the Treaty. Overall, as Jeffery (2002, 1) concludes, “regions were envisaged both as an institutional building block for EU constitutional debates, and as mechanisms for reconnecting the citizen with Europe”. Generally, the European regions were recognised as one important level of EU policy-making, especially for the implementation of policies. Therefore, regions play also a prominent role in the practical implementation of sustainable development policies (Gabriel, 2000).

Second, regions are an important natural entity. For sustainable development, regions have important policy implications with regard to eco-systems, resource consumption, productions of waste, biological habitats, river catchments or water management (Selman, 1996). These issues should not only be dealt with at the supra-national, national or local level, as regional spaces may be the most corresponding level for these aspects of sustainable development. Therefore, we argue that the regional level is *one* important governance level for the definition and implementation of sustainable development policies and, thus, should be the focus for more extensive analyses of policy-making processes.

However, when defining regional sustainable development and policies, there is still ambiguity about a useful definition about what exactly is a region? Overall, there is no generally accepted definition of region, neither in the various European nation states nor in the academic debates. On a very basic level, ‘region’ refers to a spatial entity which fulfils certain criteria. What these criteria are, however, remains open for debate. Tauras (1997) offers three different definitions of regions: The first definition refers to regions as

homogenous spatial entities, which comprise, e.g. common historical roots, language, culture, etc.

The second definition refers to regions as political-administrative entities. This definition comprises entities at the first sub-national level below the nation state which have political and/or administrative competences. As Hasselbach (1996) points out, the competences of regions as sub-national political-administrative entities vary in the different European countries, depending on whether they are federal states (like, e.g. Germany, Austria or Belgium) or more centralised states (like, e.g. UK, France or Greece).

The third definition refers to regions as functional entities. Here, regions are defined with regard to the function which is carried out on their spatial areas, e.g. economic regions, labour market regions or cultural regions. Environmentally defined regions, like water regions or bioregions, can also be summarised in this definition. Some suggestions have been made in favour of 'bioregions' (that is, spatial units which are defined by environmental characteristics) which should be governed on an environmental and sustainable use basis (McGinnis, 1998; Sale, 1985). Others argue that regions are somehow distinct geographical area which have an identity that does not correspond with existing administrative or political boundaries (Lafferty, 2000).

In the debate about multi-level governance and subsidiarity within the EU, regions are generally defined as political-administrative entities, like in the second of the above definitions. This is also mostly the case for the NUTS (Nomenclature of territorial units for statistics) classification of regions which is used for EU regional policy, namely for the purpose of appraisal of eligibility for aid from the Structural Funds regime (Eurostat, 1999). The other two definitions, however, are of growing importance in the context of sustainable development policy-making which will be argued in the sections below. Generally, we find that a comprehensive debate is much needed on what regional spaces and political structures on the sub-national level mean in the context of sustainable development as only rather general assumptions exist so far.

As argued above, the role of the regions in sustainable development is of importance with regard to multi-level governance by being in proximity to citizens and stakeholders, and with regard to the implementation of policies. That is, regions play a particular role in how sustainable development will look like in practice. Therefore, we need to ask: What should regions contribute to the practical application of sustainable development? And, do they have the means and capacities to do so? In this context, we believe that two aspects are worth to investigate: One the one hand, the integration of policies across various policy sectors, which lies at the heart of sustainable development policy-making. Policy integration in this sense refers to both, horizontal (between institutions and stakeholders on the same governance level) and vertical (among institutions and stakeholders on different governance levels) integration of sustainability policies, that is mainly economic, environmental and social policies. On the other hand, the concept of capacity-building which refers to the means and resources of regional institutions and stakeholders in their attempts to formulate and/or implement sustainability policies.

The article is based upon the experiences made in the REGIONET project which was funded by the European Commission under the 5th EU framework programme for research. REGIONET had the aim to look into the different approaches of regional sustainable development in Europe and how sustainable development is implemented in the regions across Europe. The findings of the project are based on four international workshops and seventeen national reports.

After outlining some theoretical and analytical issues about policy integration and capacity-building, the article will put its focus on the experiences with these two issues in the following fields: multi-level governance and its implications for the regions; the Structural Funds regime and how it promotes sustainable development; and evaluation methods and tools for sustainability in the regions.

Policy Integration

Most scholars define ‘policy integration’ as the integration of environmental objectives into the process of policy-making in all non-environmental policy sectors (Jordan, Schout and Zito, 2004; Jacob and Volkery, 2003; Lafferty and Hovden, 2003; Lenschow, 2002). Although the term ‘environmental policy integration’ (EPI) was not used before the 1980s, the need for integration has a much longer history. The general idea of EPI is to ‘design out’ possible environmental harm much earlier in the policy process rather than adopt environmental regulation to deal with problems after sectoral policies have been implemented.

Generally, one can distinguish between two variants of EPI (Jacob and Volkery, 2003). The first one focuses on integrating environmental issues in policy outputs of non-environmental sectors where various policy instruments can bring forward the case of EPI. This version is, therefore, understood as the ‘internalisation’ of the environmental effects of a policy sector. The evaluation of this form of EPI sets its main focus on policy outcomes and impacts. The second variant concentrates on strategies and instruments to change government routines. Here, the potentials and capacities of governments to optimise the process of decision-making are of prime interest. The evaluation process is centred around questions about which strategies and instruments are adopted to modify the process of policy formulation and implementation in sectors other than environmental policy. Recent examples of this variant are national sustainable development strategies, strategic environmental impact assessments, green budgeting, mechanisms for decentralised policy-making, etc.

Policy integration is also on the political agenda of the European Union. With the Amsterdam Treaty in 1997, EPI was given a constitutional level in Article 6, which states that “environmental protection requirements must be integrated into the definition and implementation of the Community policies (...) in particular with a view to promoting sustainable development”. Shortly after Amsterdam, it was mostly the then new Member States (Austria, Finland and Sweden) who pushed the Commission to develop a strategy to implement Article 6. The ‘partnership for integration’ document sought to explicitly address the fact that EPI is a multi-actor and multi-level problem. After the European Council meeting in June 1998, the Cardiff Process began with the aim to introduce steps for a practical application of Article 6. All relevant Council formations were asked to develop strategies and programmes aimed at integrating environmental considerations into their policy areas. These strategies should contain objectives, timetables and task assignments, but also monitor schemes for improvements and shortcomings.

Generally, the outcomes of the Cardiff Process so far do not meet the high ambitions it set out to achieve and has produced mixed results. A recent stocktaking of the Cardiff Process by the Commission (CEC, 2004a) argues that, apart from improvements in some sectors (e.g. initiatives on energy efficiency, CAP reform), environmental integration commitments still largely lack concrete implementation efforts. The report points out that the Cardiff Process mainly suffers from the following shortcomings: a lack of consistency; not enough political

commitment; unclear priorities; missing strategic approaches; and a lack of delivery, implementation and review mechanisms (CEC, 2004, 31-32). Nevertheless, some scholars argue that the Cardiff Process has raised the profile of policy integration and helped to place EPI on the European political agenda (Jacob and Vokery, 2003; Lafferty and Hovden, 2003).

What are now the main factors which helped to push EPI on the political agenda within the EU? Jordan, Schout and Zito (2004) mention the following aspects: First, there is the Commission's continuing effort to promote EPI as a concept for 'good' governance in Europe. EPI is another example of the EU's continuing search for less hierarchical, governance-led solutions which includes many actors (different EU institutions as well as economic and societal sectors) and many administrative levels (not only the EU level, but also national and sub-national levels). As the European Environment Agency (2003) argues, the EU needs to adopt a more governance-based perspective because the old, government-based model has not solved the sectors' long-term policy problems and has not reduced the implementation deficit of directives. Second, the Commission has been able to draw upon the language of sustainable development to justify the need for greater EPI. Sustainable development is an inherently integrative concept as it is concerned with finding ways to make economic, environmental and social policy aspects mutually supportive. And third, as mentioned above, Article 6 of the Amsterdam Treaty elevated the state of EPI from a narrow environmental concept into a guiding objective of European political and economic integration. Therefore, EPI is now integrated in national sustainability strategies (Swanson et al, 2004) and EU policy documents, like the EU Sustainable Development Strategy (CEC, 2001), which was adopted at the Gothenburg Council in 2001. This strategy is of some importance for the process of environmental integration as it added environmental policy to the goals of the Lisbon Strategy.

However, the approach of sectoral strategies as a result of the Cardiff Process and the lack of implementation of EPI on the ground are the most severe shortcomings for more successful policy integration in the EU. The former is still oriented towards the traditional government mode which seems, as Jacob and Volkery (2003, 3) argue, "not well suited to carry out the necessary policy shifts that EPI implies". Sectoral administrative bodies, generally, have the following characteristics: (a) they are highly specialised, (b) have accumulated specific knowledge to govern their particular policy field, (c) have built up networks with their target groups, and (d) are path-dependent regarding their goals and instruments. The sectoral reporting, targeting and timetable setting in the different Council formations was one of major shortcomings in the current EPI approach of the European Union.

Therefore, the implementation of EPI in the EU has not yet met the high ambitions. Jordan, Schout and Zito (2004) argue that one of the main problems is that EPI has been interpreted as a 'macro'-level problem which can be suitably resolved by drafting statements and long-term integration strategies. However, the importance of embedding EPI in 'micro' policy processes has mostly been ignored. That is, bottom-up formulation and implementation of EU policies and integration processes on the various government levels has not yet been fully realised. Therefore, the authors argue that "if EPI is to mean anything, it has to bite at the level of daily policy-making, otherwise grand political and legal commitments to principles such as integration and sustainability will not be translated into daily practice" (Jordan, Schout and Zito, 2004, 4).

This means that policy integration cannot be delivered by the Commission alone but must involve all different levels of government as well as the various stakeholders if the goals of a less hierarchical governance model within the EU is likely to become reality. If the micro-level (that is, the regional and local level) should play a more prominent role for the

formulation and implementation of EPI, it is necessary to examine whether sufficient capacities and resources exist at this level which can facilitate integration processes in policy-making processes.

Additionally, as Lafferty and Hovden (2003) point out, the concept of policy integration should not only involve the environmental aspect of sustainable development, but the total integration challenge, including economic and social aspects. This could help to identify crucial variables and decision points in governance for sustainable development.

Capacity Building for Sustainable Development

As we have argued above, the sub-national level – and here especially the regional level – is identified as an important level in the governance system in Europe. Most prominently, regions are perceived as an important level for policy implementation, which includes efforts for more policy integration. But what capacities and resources do the regions have? What are the most important institutional and societal stakeholders at the regional level? Are they able to deliver policies they are supposed to implement? This means, the capacities of regions for the implementation of sustainable development policies are of prime importance.

The concept of ‘capacity-building’ for sustainable development has been formulated in the UN Rio Declaration in 1992. Chapter 37 of Agenda 21 of the Rio Declaration makes clear the nature and importance of capacity-building, and that it is “the key to the Agenda’s successful implementation” (UNEP, 2002). Therefore, it has become a principal and explicit priority of all United National activities.

This is how capacity-building is defined in Chapter 37 of the Rio Declaration: “The ability of a country to follow sustainable development paths is determined to a large extent by the capacity of its people and its institutions as well as by its ecological and geographical conditions. Specifically, capacity-building encompasses the country’s human, scientific, technological, organisational, institutional and resource capabilities.” (UNCED, 1992, Chapter 37.1) Furthermore, the UN Rio Declaration makes a reference to the choices for policies and their implementation: “A fundamental goal of capacity-building is to enhance the ability to evaluate and address the crucial questions related to policy choices and modes of implementation.” (UNCED, 1992, Chapter 37.1) The principle of capacity-building is again promoted by the last UN World Summit in Johannesburg in the summer of 2002. In Chapter X, Article 127, the strengthening of capacity-building is explicitly mentioned (UN, 2002).

Generally, as Jänicke (1997) points out, the concept of capacity-building points to the objective limits to and necessary preconditions of successful solutions of a given problem. In the context of environmental policy and sustainable development, there are a number of examples of well-known limitations: lack of institutional resources and access to information; lack of ecological, technological and administrative knowledge; lack of material or legal resources; weakness of institutions in relation to vested interests, etc. However, for sustainable development to have any practical implications and meaning on the ground – mainly in terms of institution-building, policy formulation and implementation as well as development management – skills, knowledge and resources at the individual and institutional level are important.

Additionally, the concept of capacity-building includes the governance related issue of including appropriate levels of government and other stakeholders in order to deliver sustainable development policies. Therefore, the overall objective of capacity-building,

formulated by the UN Rio Declaration, is “to develop and improve national and related subnational and regional capacities and capabilities for sustainable development, with the involvement of non-governmental actors” (UNCED, 1992, Chapter 37.3). There are a number of institutions and stakeholders mentioned which should be involved in efforts for more capacity-building: all government levels, NGOs, universities and research centres as well as businesses and other private institutions. Hence, Jänicke (1997, 1-2) argues that “a country’s capacity for environmental protection is not and cannot be restricted to government policies. Increasingly it depends on societal forces of all kinds”.

The World Summit in Johannesburg also refers to governance related issues. Chapter XI, article 158, argues that the implementation and the outcomes of the Summit should be effectively pursued at the regional and sub-regional levels. For this, there should be the promotion of multi-stakeholder participation to support the implementation of Agenda 21. This should include the support for the development and implementation of regional sustainable development strategies and action plans, reflecting national and regional priorities (UN, 2002).

One must add that much of the debate on capacity-building for sustainable development – and here especially the UN Rio Declaration – is mainly focused on developing countries. However, despite the fact that in some industrialised countries there has been a remarkable increase in capacities for sustainable development, the restrictions to effective policy integration and implementation on the ground should not be ignored. As was argued above, much has been conceptualised and talked about, but what has been achieved in practice remains rather unclear. Therefore, we support the argument, made by Jänicke (1997), that capacity-building for sustainable development is no less relevant for the industrialised world.

The UN Commission on Sustainable Development (1998) in its sixth session gave an overview report of the development of capacity-building for sustainable development. Two developments are prevailing: First, there is slow but steady progress. Second, attention is suggested to be given to the implementation stage. Furthermore, the report states that some trends have emerged in capacity-building:

- a more decentralised approach to resource management which is responsive to the actual social and economic context of people’s livelihoods;
- there is a trend to greater involvement of regional and local governments;
- there is also greater participation of stakeholders and citizen participation; and
- there is more willingness to experiment with new approaches and to learn from experience.

Regarding implementation of capacity-building, the report argues, there is a need for effective monitoring and evaluation to provide learning and lessons of experience. This requires approaches to monitoring and evaluation which are “less donor driven, less defensive and more attuned to the learning needs related to capacity-building” (UN Commission on Sustainable Development, 1998).

We argue that, especially for the regional level, it is important to define capacity-building for sustainable development. For this reason, we propose the following three aspects which should help in investigating the capacities in the European regions:

- 1) Capacities for governance, decision-making and implementation of policies (the focus is on the delivery of policies);

- 2) Involvement of the various stakeholders (e.g. businesses, NGOs, science and research, citizens), as well as their expertise and knowledge, in the formulation and implementation of policies; and
- 3) Structures which allow for learning experiences from tools and methods (e.g. evaluation methods).

What follows is an analysis about the experiences with policy integration and capacity-building in the European regions. We will put our focus on three issues which are of prime importance for sustainable development policy-making: multi-level governance, the Structural Funds regulations, and the evaluation methods for measuring regional sustainable development. For this analysis, we will use the findings of the REGIONET research project.

Experiences with Policy Integration and Capacity-Building in the European Regions

REGIONET, an EU thematic network project funded by DG Research under the 5th Framework Programme¹, was running between 2002-04. The overall objective of the project was to investigate the efforts in the European regions to implement sustainable development. It was also an aim to bring together the various stakeholders who have experiences in the study and/or implementation of regional sustainable development in order to discuss the experiences made so far as well as the new needs and challenges being faced.

The work and the findings of REGIONET are based on two main approaches: On the one hand, four international workshops were organised by the project team. These workshops included academic and policy-related papers as well as workshop and plenary discussions. They drew between 60 and 120 participants respectively, coming from more than 25 European countries, also including participants from the Canada and Australia. The workshops allowed having a comprehensive state-of-the-art of regional sustainable development in Europe and elsewhere. The workshops covered the following topics: 1) Regional sustainable development and the role of Structural Funds; 2) Strategies for effective multi-level governance; 3) Evaluation methods and tools for regional sustainable development; and 4) Cross-fertilisation and integration of results of the project.

On the other hand, the project team decided early in the project's running time to draft and write national reports on regional sustainable development which should give an extensive overview of how this topic is perceived and what practical policy implications it has in the different European countries. The project team developed a template for the national reports which served as the basis for each of the seventeen reports. Please find this template as Annex to this paper. The national reports were written by using qualitative methods, that is already existing literature and data on regional sustainable development in the respective countries as well as semi-structured interviews with various policy-makers. Each national team was responsible of the mix of the methods used. Generally, the national reports give the first comprehensive overview of regional sustainable development in Europe.

¹ REGIONET (Strategies for Regional Sustainable Development: An Integrated Approach beyond Best Practice), EU 5th Framework Programme of Research, DG Research, Contract No. EVG1-2001-20003.

Multi-level governance

Over the last decade, the concept of ‘governance’ has not only gained a central place in contemporary debates in the social sciences, but has also informed a wide array of policy documents. Thus, governance, as opposed to ‘government’, has become an important concept of describing and proposing strategies for policy-making (Pierre and Peter, 2000).

There is no doubt that a strong interrelationship exists between the concept of governance and sustainable development. It is argued that sustainable development can only be achieved when all societal stakeholders are included in its implementation (WCED, 1987). The implementation of sustainable development policies should be carried out at the most appropriate policy level (UNCED, 1992), which should include the strengthening of capacities for sustainable development at all levels (UN, 2002).

Looking at the vast academic literature on governance, it is fair to say that the concept has various meanings. Therefore, one can distinguish between different governance approaches (Berger, 2003). *Multi-level governance* is one of these approaches. It implies the stronger inclusion of all tiers of government – with a special emphasis on the regional and local levels – in the design, formulation and implementation of policies. Arguments for a stronger inclusion of the regional and local levels must be seen in the context of two aspects: First, these are the levels which are responsible for implementing important policies. And second, they are the levels which are close to the citizens and, therefore, have specific regional and local knowledge and expertise (Loughlin, 2001).

This approach of governance refers to the ‘principle of subsidiarity’, which comprises the idea that “political action takes place at the level most appropriate to the issue at hand” (Börzel, 2003, 19) and thereby regulates the relationship between the different levels of government. Generally, subsidiarity is the concept favoured by the EU in how to organise policy-making in a multi-level governance environment. The EC Treaty (2002) states the following: “In areas which do not fall within its exclusive competence, the Community shall take action, in accordance with the principle of subsidiarity, only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States and can therefore (...) be better achieved by the Community” (Article 5). The Draft Treaty establishing a European Constitution (2003) is more specific regarding the lower levels of government involved in policy-making in the Member States by stating that action should be taken “either at central level or at regional and local level” (Article 9, paragraph 3).

The findings made in the REGIONET project refer to more theoretical issues as well as practical experiences made in the regions.

On a more theoretical level, Börzel (2003) argues that there is a need to reinvent subsidiarity by focusing on mutual respect and mutual support rather than the ‘protective closure’ of regional responsibilities against interventions of the European Union. Börzel argues that a more positive perspective on subsidiarity is needed which should emphasise the following: First, if developed into a true principle of ‘federal comity’ (each level of government respects the autonomy of the other), proportionality could help to protect the autonomy of Europe’s regions. The large bulk of competencies would remain shared and jointly exercised. Therefore, “the question is not so much whether and what the EU should legislate, but *how* the various levels of government should exercise their shared competencies” (Börzel, 2003, 40). In areas of shared competencies, the EU would essentially constrain itself to setting framework legislation, which defines the goals to be achieved, but leaves it largely up to the

Member States and their sub-national authorities as to how to achieve them. Therefore, a top-down approach would be replaced by an acknowledgement of intersecting 'spheres of governance' in policy-making. In the current multi-level governance system, these intersecting spheres of governance are becoming the reality in most policy fields.

Second, in an EU with 25 Member States and over 300 regions, there will always be a critical number of regional and local authorities which have a lack of capacities and resources to deal with an issue at hand. However, as Börzel (2003, 41) argues, "rather than taking on the responsibilities, the central level should first of all seek to support these authorities by enhancing their capacities for autonomous action". This means not only to provide regions with sufficient competencies to manage their own affairs, but also to grant them the necessary resources to carry out these competencies.

Generally, the multi-level governance systems in the European Member States all look rather different. The competencies of the sub-national levels vary across the different countries and also regarding the policy fields which are either formulated or implemented at the regional level. Only a small number of the EU Member States has a federal political system in place (e.g. Germany, Austria, Belgium), most have centralised political systems (e.g. France, UK, Greece). This general structure of competencies between the different levels also applies for sustainable development policy-making. Most Member States have developed sustainable development strategies which outline the overall approach towards sustainability goals. However, these strategies hardly refer specifically to the regional level, nor do they specify issues of capacities and resources for the regions to deliver sustainability policies. This means that vertical coordination is not addressed sufficiently in these national strategies.

Even in federal political systems, there remains a rather hierarchical and sectoral organisation of policy fields. This structure does not allow an easy cooperation between the different levels and departments. In Austria, for example, regional sustainable development faces the problem of ongoing conflicts between the existing administrative system and emerging regional development initiatives. In recent years, a new decision-making structure for regional sustainable development has emerged in Austria which is located outside the conventional administrative system. These structures are mostly based on 'parallel structures' which form an external link between citizens and regional stakeholders on the one hand, and administrations and funding organisations on the other. The experience in Austria is that the new emerging structures get in conflict with conventional sectoral administrations which still wield a great power by way of regional development planning as well as their administrative capacities.

The more centralised political systems in Europe are strictly organised along sectoral policy issues. In contrast to this, regional development processes in many European regions try to find integrated solutions for development issues. This leads to the situation that there is no sector in the conventional administrative system which actually feels responsible for these processes. It is often the environmental departments (on all levels) which are then held responsible for regional sustainable development. As these departments are usually not the most powerful ones in an administration, this situation leads in many regions to a weak representation of sustainable development within the traditional political-administrative system.

Generally, there is no common understanding which new forms of management – not only governmental – regional sustainable development needs on the regional level in Europe. However, nearly all national reports refer to the creation of new management units of some kind in order to start and mediate development issues in term of sustainable development. This includes sub-national management units as well as project related ones. As this topic emerged during all the workshops and throughout the national reports, one can argue that the

creation of management institutions for regional sustainable development processes lie at the heart of regional action for sustainable development in a multi-level governance structure.

Regarding policy integration, most national reports focus on the integration of environmental issues into policy-making in the context of the regional sustainable development. The economic and social dimensions of regional sustainable development are less often approached in practice. This means that environmental projects and policies are overwhelmingly stressed when regions in Europe try to perform regional sustainable development. However, as the concept of sustainable development originally emerged from a strong concern for environmental problems, it is no surprise that sustainability policies related to the spatial dimension of a region are mainly concerned with the sectoral issue of environmental policy.

Additionally, the national reports show that the understanding of regional sustainable development in most European regions refers to rural areas. Therefore, cross-sector integration is mostly undertaken in the policy fields of agriculture and forestry. Agglomerations and big European city-regions are largely missing, although they present the most critical spatial setting for sustainable development issues like urban planning, transport, energy, waste, etc. Equally missing is the connection between urban agglomerations and their respective hinterland. Therefore, a necessary re-focusing of regional sustainable development on city-regions is suggested. This is of main importance given the fact that many pressing problems in the economic, environmental and social arenas can neither be solved by the cities nor their surrounding rural areas alone.

The findings in REGIONET suggest that in order to achieve policy integration at the regional level, cooperation, conflict resolution and room for interaction to develop new partnerships and capacities are required. Case studies show that comprehensive policy integration in the governance system critically depends on political will as well as support and capacities to undertake such integration processes. Generally, the findings of the project suggest that it is more likely to obtain real policy integration for sustainable development if it is based on the experiences of the regions with integration efforts. This context-driven, bottom-up perspective could generate insights of how policy integration can be achieved at 'higher' levels of government. The experiences made in REGIONET emphasise the need for further studies within the field of policy integration for sustainable development, especially with a focus put on the regional level. The regional level should be viewed as an important level of information and experience for the analysis of the Cardiff Process.

The Role of Structural Funds for Sustainable Development

On the regional level, sustainable development is mostly part of the broader framework of regional development policy-making. Therefore, we want to take a closer look at how sustainable development is framed and promoted through the current Structural Funds regulations and what the experiences in the regions are. Overall, the Structural Funds have evolved into one of the major driving forces for regional development in Europe (Berger and Narodoslowsky, 2004).

Looking at the Structural Funds in the context of sustainable development is worthwhile because of several factors:

First, the Structural Funds (along with the Cohesion Funds) are the second largest item of expenditure in the EU's budget after the Common Agriculture Policy (Sutcliffe, 2000). In the future EU budget (2007-13), the cohesion policy will receive 34 per cent of the total budget of

€336 billion (Hernandez Martin, 2004). Therefore, regional policy remains a matter of high political and economic importance within the EU (Bache, 1998).

Second, Structural Funds are directed towards regions which are lagging behind in their development on the basis of the average development indicators within the EU. Thus, these regions strive for development and progress which should be economically, environmentally and socially sustainable, that is, development which calls for policy integration. The current European Council Regulations about the Structural Funds for the period 2000-06 (Council of the European Communities, 1999) have included the sustainable development paradigm. Especially environmental protection is now a requirement for funding within these regulations, as is stated in Article 2, “the incorporation of the requirements of environmental protection into the definition and implementation of the operations of the Funds” must be ensured.

What is different with the current regulations from the previous ones is that ‘environmental sustainability’ is now a horizontal theme (Moss and Fichter, 2004). This means that environmental sustainability should not be restricted to particular parts of development plans but should be mainstreamed, that is, it is to be systematically integrated into every phase and level of a regional development plan (European Policies Research Centre, 2001).

Third, the Structural Funds regulations include the ‘partnership principle’ which refers to policy-making that is carried out in close consultation between the various government levels as well as other stakeholders. Article 8 of the Structural Funds regulations points out that Community actions “shall be drawn up in close consultation, (...) between the Commission and the Member States, together with authorities and bodies designated by the Member State (...), namely the regional and local authorities” (Council of the European Communities, 1999, 11).

Although sustainable development is a ‘horizontal priority’ within the current Structural Funds regime, sustainability is still not the prevalent goal of the Structural Funds. The findings of the REGIONET project suggest that the impact of the Structural Funds on regional sustainable development has been low in terms of ‘real’ sustainable development projects. The main thrust in terms of Structural Funds projects is still economic development of regions, however, there is a certain increased visibility of environmental concerns. In current projects, sustainable development is more an add-on issue but which forces project applicants to include a discussion about sustainability into project proposals. But the main approach is still clearly driven by economic considerations. Therefore, real efforts for policy integration are only realised marginally in the current Structural Funds regulations.

The situation is different for some Community Initiatives, like Interreg III, Urban II and Leader+. Within the framework of these programmes, a number of highly ambitious projects, which were focused more closely on sustainable development, have been realised. Especially the Urban II and Leader + projects were very successful in this respect in many regions in Europe. Overall, Community Initiatives seem to be currently the major driving force for sustainable development and policy integration in the European regions. However, the Community Initiatives receive only 5.35 per cent of the total Structural Funds budget.

Nevertheless, the national reports also show that the Structural Funds became one important mover for regional sustainable development throughout the regions in Europe. This is particularly the due to three aspects:

- Structural Funds are the main tool for regional development in general and are therefore of main importance for regional policy-making throughout Europe;

- Structural Funds require regions to implement strategic planning in order to apply for these funds; and
- Through the ex-ante evaluation of the inclusion of environmental considerations into the Structural Fund proposals, regions need to include these considerations early on in the project stages and are, therefore, asked to develop a strategic thinking for policy integration.

The capacity-building through the Structural Funds regulations has had some important effects with powerful implications beyond these regulations. As shown in the national reports, many projects in the Structural Funds regime led to an intensification of capacity for decision-making and governance on the regional level which increased the capabilities of regional institutions and stakeholders in fostering regional development issues for their own needs. Here, again, the Community Initiatives were especially successful. They contributed in most European regions to a new involvement of various stakeholder groups. For example, the Leader programmes have triggered numerous new constellations in rural areas, bringing sectoral issues – and their specific circle of stakeholders in, for instance, agriculture and tourism – in relations to each other with the result that they could explore their common (and also different) approaches towards regional sustainable development. As the findings from REGIONET suggest, the new involvement of the various stakeholder groups can encourage, and possibly lead to, new processes and policies. It is also important to note that these new constellations of stakeholders rely on a shared understanding of responsibility for the future of the region.

Generally, the building of capacities in the regions had an effect far beyond the projects actually supported by the Structural Funds. The regional entities which were established in response to the challenges of the Structural Funds, like the regional development agencies (RDAs), acquired capacities to apply for and implement projects supported from other funding sources (national/international) as well. On top of that, some projects have also had a considerable impact on the capacity of other regional institutions and actors to formulate and implement projects on their own. Therefore, a general conclusion for regional development is that successful capacity-building in regions fostered by one instrument may empower the regional stakeholders to succeed in other policy areas, too, by using the full range of opportunities and capacities.

It became clear from the very beginning of REGIONET that the term ‘region’ is going to be gradually re-shaped within the context of regional sustainable development. Regional sustainable development, and the instruments that are aimed at fostering it, have created a new context for the regions: it leads to a rather dynamic than static understanding of a region which brings together new constellations of stakeholders on the regional level and is not restricted to national borders. Especially the Structural Funds regime has established fruitful and challenging inter-regional cooperation (e.g. Interreg programmes) which will have new implications for policy integration and capacity-building. More research and projects in this context should bring a greater understanding of inter-regional cooperation.

When trying to conclude the experiences within REGIONET, one can argue that this re-shaping of regions is based on a new understanding of what regions are. They are characterised by

- a spatial form that is shaped more by cultural identities, economically unique selling points, or natural particularities; and
- a communication process about the shaping of the future of the region between the different stakeholders, making the region a result of social interaction based on qualitative goals.

The territorial form of these new regions may be determined by various dimensions like

- political-administrative dimension (responsibilities and capacities for governance and policy-making);
- functional dimensions (infrastructure, regional economies, inter-regional economies, employment, etc);
- natural dimensions (topography and landscape, material-flows, energy issues); and
- cultural dimensions (regional cultures and identities).

Therefore, we argue that, in the context of sustainable development, the term 'region' needs to be flexible, problem-oriented, and geared towards the development goals and the constellation of stakeholders on the level of a particular region.

Summarising the outcomes of the REGIONET project, there are some important factors that should be fostered within the Structural Funds regime.

First, there should be a stronger cross-sector policy integration. Currently, environmental issues are mostly an add-on for regional development under the Structural Funds regime. Additionally, as argued above, the organisation of the administration along sectoral lines does not effectively support the integration of sectoral policies. Second, trans- and inter-regional cooperation can be an important facilitator of regional sustainable development policies. Common economic, environmental and social problems in a new defined regional setting can be a good basis for cooperation and increased capacity-building for policy-making. Third, sustainable development on the regional level should be one of the prime goals of current as well as future Structural Funds programmes. However, it would be necessary to include sustainability into the Structural Funds regime in a more comprehensive way: (a) sustainable development should not only be a 'horizontal priority', but the basis for a new regional policy approach; and (b) the concept of sustainable development should be the basis for more extensive policy integration efforts.

Looking at the proposal from the European Commission about the new Structural Funds regulations, covering the period between 2007-13 (CEC, 2004b) there are some positive development, but also some which must be taken with caution regarding sustainable development.

First, the new Structural Funds regime seems more directed towards the Lisbon Strategy to create successful economic development in a knowledge-based society than towards the Gothenburg Strategy. Although sustainable development remains part of the regime, its prominent role is somewhat lost. Environment and risk prevention is one of the defined key theme, but if the overall approach will foster policy integration will have to be investigated.

Second, the Commission acknowledges the important of capacity-building in regional development. It is argued that emphasis should be given to the strengthening of institutional capacity and the efficiency of public administration, including the capacity for managing the Structural Funds and the Cohesion fund.

Third, the Commission proposes – on the basis of experiences of the Interreg initiative – to create a new objective dedicated to further the harmonisation and balanced integration of the territory of the Community by supporting co-operation on a cross-border, trans-national and inter-regional level. The Commission argues that “regions should in future incorporate actions in the field of interregional cooperation within their regional programmes. To achieve this, regional programmes will need to dedicate a certain amount of resources to exchanges, cooperation and networking with regions in other Member States” (CEC, 2004b, 6).

Sustainable development, as argued above, can be an area of stronger inter-regional cooperation which could foster capacity-building and policy integration.

Evaluation Methods and Tools

As Roberts (2004, 2) argues, “the evaluation of regional sustainable development is a complex and multifaceted matter”. This is a statement everybody can agree with as sustainable development not only has to do with the integration of different policy fields but also with the accompanying integration of various stakeholder interests.

In the past years, evaluation methods and tools have become compulsory in many policy areas on the European, national and regional level. In the context of sustainable development, the evaluations have particularly high relevance. They serve as an instrument for the integration of economic, environmental and social policies, and can assure compatibility of programmes on different political levels. Moreover, evaluations can play an important role as a catalyst for institutional innovation and the continuous improvement of social processes (Langer, Schön and Egger-Steiner, 2003).

The evaluation of sustainable development does, in principle, not differ from any other evaluation approach. The difference is the object of evaluation, which is a very unique form of interrelated policy issues. Therefore, an evaluation process for sustainable development would ideally include the following aspects (Langer, Schön and Egger-Stein, 2003):

- it requires the comprehension of a complex and multi-dimensional concept (similar to other complex issues like globalisation, democracy or equity);
- it needs to deal with an integrated development concept, as a broad integration is the qualitative difference to evaluations of single topics; and
- it needs to deal with a multitude of stakeholders with different points of view.

Regarding sustainable development evaluations, the European Union has developed several important methods. The most commonly used ones are the impact assessment methods. The Environmental Impact Assessment (EIA) has the aim to include environmental considerations in the design and conception of new projects. Generally, the situation regarding the implementation of EIA at the project level in Europe is positive (European Environment Agency, 2003). EIA is now firmly rooted in practical policy-making on the project level and progress was largely driven by the EU’s directive (and its latest amendment from 1997) on EIA. The progress with Strategic Environmental Assessment (SEA), which should be applied on the level of plans and policies, is far more patchy in Europe. The EU has adopted a directive on SEA in 2001 which had to be implemented in the Member States by July 2004. SEA is far more commonly carried out in an ad-hoc way and is largely confined to specific sectors, particularly land-use planning and transport planning (European Environment Agency, 2003).

A recent effort to improve the integration of policies and ensure realistic implementation is the EU initiative on Impact Assessment (IA). The communication from the Commission (CEC, 2002) launched the process to improve the quality and coherence of the policy evaluation process. The intention is that an IA will be carried out for all major initiatives, whether strategies or policies, programmes or legislation. Impact assessment is intended to help analyse the impacts in terms of the three pillars of sustainable development. It should highlight who is affected and what the trade-offs are, both across the three pillars and between stakeholders groups. The IA tool is also intended to simplify the process of

assessing major initiatives by incorporating the key elements of several existing evaluation methods and superseding them. However, as the European Environmental Agency (2003, 293) argues, “a key question is how far these aims can be fully translated into practice and whether key issues previously highlighted under existing techniques will lose some of their prominence”.

When looking at the practical experiences, one can see that the evaluation of sustainable development is now a reality in many regions in Europe. From at least a decade of experience in the application of methods and tool, it should be possible to identify some best practice examples. However, the findings in REGIONET suggest that the concept of sustainable development is often twisted around many policy processes and evaluation remains difficult and unspecific. There are several observations made throughout the European regions:

First, the current practice in European regions is a rapid spread of evaluation methods and tools at various stages of the policy-making process. There is also an increasing coordination between different levels in an effort to improve policy integration. Nevertheless, finding the right indicators and methods for an evaluation which generates policy integration is a difficult task for many regions.

Second, with the rapid development of hardware, software and databases, there is an increasing scope for technical tools which inform and underpin evaluation methods. The question remains how to balance the technical complexity with available data and resources. In many regions, there is a demand for indicators and benchmarks and also the realisation of the complexity which is involved in measuring concrete and practical issues of sustainable development. Additionally, there is the realisation that evaluation models are very rarely forecasting machines, but more like tools for mutual understanding of policies and processes.

Third, there is growing experimentation with evaluation as a form of social participation and capacity-building. In many regions there is an increased awareness of their role in the multi-level governance system and how evaluation methods may add value to the role of regions regarding the proximity to citizens and the process of evaluation.

Fourth, there is a strong pressure for workable systems of sustainability evaluations or integrated assessments. Moreover, the need to develop integrated frameworks of indicators, targets and objectives have to be faced by many regions. In the regions, a difficult fit is felt between the technical information systems approach and the growing complexity of policy network. As outlined above, the EU is trying to promote a more integrated framework for policy assessment or evaluation which links methods and tools with other dimensions of the policy process. There is a strong case to make in favour of this, and such a integrated framework would ideally combine technical tools, policy application and social participation. However, this raises the question of how such a framework can be wide enough to cover the sustainable development agenda while still being focused on practical issues on the regional level.

Concluding from the national reports, there is no general agreement, neither in the Member States (and their respective sustainability strategies) nor in the regions, that defines clearly specific methods and directions in sustainable development evaluation. Consequently, there is no such thing as a European approach towards regional sustainable development evaluation but different approaches throughout the regions and their respective needs. However, there is a call for harmonisation of regional evaluations within the countries. This is the case not only because of the possibility to compare different regions with each other, but also because this would enhance the efficiency of evaluations. One possibility to realise harmonisation would be the establishment of a kind of core set of indicators for sustainable development on the regional level.

Another finding in the national reports was that in many regions evaluations are mainly understood to defend policies and projects. However, this predominantly defensive nature of evaluation does not exploit the potential of this instrument. The strategic potential of evaluations as a principle opportunity of collective learning on the way towards sustainable development is not realised yet in most regions in Europe.

Recent evaluation thinking often focuses on the process as much as on the product. It sees evaluation not only as a top-down expert procedure, but also as a means for capacity-building, participation and learning at every level in the governance system (Roberts, 2004). This will widen the scope and variety of evaluations methods. There are many possible roles and challenges of evaluation:

- As policy process: how to link evaluations with the cycle of design, objectives, policies and implementation?
- As social process: who carries out evaluation, who participates and consults, and where are the results applied?
- As a management system: links to environmental/quality management systems – is evaluation a catalyst for institutional or organisational innovation?
- As capacity-building: how to organise and distribute training and resource allocation for participation?
- As strategic intelligence: how to link evaluation processes with more future oriented models, like scenarios, foresight or horizon scanning?

Generally, approached in this way, evaluation can merge into a multi-level governance system and become an essential part of a democratic process. In this, evaluation would be as good as its context. Such a democratic process should ideally not only be a hierarchical model, but also include for deliberate, inclusive, participative processes.

Regarding the integrated assessment approach, the findings in REGIONET suggest that such a framework will remain out of reach in the sense that no one method or tool can deal with all possibilities at all levels regarding complexities of policies and stakeholders interests. However, it seems possible to envisage an integrated impact assessment which is like a connected set of methods and tools rather than one tool which can do any job. The focus should be on the inter-connection between the different policy fields as the prime goal is going to be policy integration: economic factors (including institutions, networks, innovations), environmental factors (like resource flows, life-cycle, ecological footprinting, socio-environmental values), and social factors (like multiple worldviews, cohesion, participation, capacity).

Conclusions

The aim of this article was to evaluate some practical implications of sustainable development policy-making at the regional level. Generally, the role of regions for sustainable development is of importance with regard to two issues: First, in a system of multi-level governance, they are in a proximity to citizens and stakeholders. Second, they are one important level for the implementation of sustainable development policies. Although these two aspects are mentioned in scientific articles and referred to by policy-makers and stakeholders alike, a more comprehensive debate is needed on what regional spaces and

political structures on the sub-regional level mean and can achieve in the context of sustainable development.

Two main issues are in the centre of discussion in regional sustainable development: How can the regions contribute to better policy integration? Do regions have the means and capacities to do so? We have put the focus of the article on policy integration and capacity-building and analysed the experiences of regions in Europe with these two issues in the fields of multi-level governance, Structural Funds, and evaluation methods.

Currently, multi-level governance (and with it the principle of subsidiarity) is referred to in many EU policy documents. In practice, policy-making in many areas is now undertaken as a shared competence between the different levels. Regions are important for the implementation of important policies on the ground. Generally, intersecting 'spheres of governance' are becoming the reality in most policy fields. Nevertheless, the competencies for the various government levels are also dependent on the political-administrative structures in the Member States. This also applies, of course, for sustainable development.

Most EU Member States have now sustainable development strategies in place. However, these strategies hardly refer to the regional level, nor do they specify the capacities and resources necessary for the regions to deliver sustainability policies. Vertical coordination and capacity-building is not addressed in most national strategies. Additionally, most political structures of the Member States are organised hierarchical and along sectoral policy issues. This also applies for the more federal political systems in Europe. In some countries, parallel policy-making structures emerge alongside the traditional ones. These new management units, e.g. regional development agencies, together with stakeholders in the specific regions, develop some capacities for regional sustainable development. However, there is no general debate on how to provide recourses and means to regional institutions and stakeholders.

Regarding policy integration, the findings of the REGIONET project show that mostly environmental projects and policies are stressed when regions perform sustainable development. The economic and social dimensions are less often approached in regional sustainable development projects. However, the findings suggest that real policy integration is likely to be obtained when based on the experiences in practice, like on the regional level. This context-driven, bottom-up perspective could generate insights also for higher levels.

Although sustainable development is a pre-requirement for Structural Funds money in the ex-ante evaluation of projects and a horizontal priority, the impact of the Structural Funds on 'real' sustainable development projects has been low. Sustainable development is still mostly an add-on issue which forces applicants to apply some thinking at the proposal stage. Therefore, real efforts for policy integration are only realised marginally in the current Structural Funds regulations. The situation is somewhat different in the Community Initiative, like Urban II and Leader+, which are the major driving forces for sustainable development and policy integration in the European regions.

The capacity-building in the regions through the Structural Funds regulations has had some important effects with powerful implications. As the findings in REGIONET show, many projects in the Structural Funds regime led to an intensification of capacities for decision-making and governance on the regional level. Additionally, these projects increased the capabilities of regional institutions and stakeholders in fostering regional development issues for their own needs. Generally, the building of capacities in the regions through the Structural Funds has wider implications, as regions develop skills and experiences they can use for other challenges as well.

Evaluation methods and tools are of high relevance in the context of sustainable development as they serve as an instrument for the integration of economic, environmental and social policies. The evaluation of sustainable development is now a reality in many regions in Europe. The current practice in the European regions is a rapid spread of various evaluation methods and tool. There is also in increasing coordination between the government levels in an effort to improve policy integration.

There is also a growing experimentation with evaluation as a form of social participation and capacity-building. In many regions, there is an increasing awareness of their role in multi-level governance and how evaluation methods may add value to the role of regions regarding the proximity to citizens and the process of evaluation. However, as many evaluation processes are still understood to defend policies and projects, the full strategic potential of evaluation as a form of learning and capacity-building is not yet fully realised in Europe.

What we see from the findings in REGIONET is that especially evaluation methods and tools have an important role in policy integration and a high potential for capacity-building. The Structural Funds regime has less contributed to policy integration but has been important for an increased capacity-building in the regions. Multi-level governance alone did not improve the capacities of the regions. Although it is recognised that regions are an important level for policy implementation, there exist not enough resources and means to delivery policies more comprehensibly and effectively. This is of prime importance as regions are an important level for policy integration as this context-driven, bottom-up perspective could generate insights also for higher levels.

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ANNEX

Template for the National Reports on Regional Sustainable Development

National background on regional development

- Political and administrative system and hierarchies
- History of regional development
- National initiatives on sustainable development

Regional sustainable development

- National initiatives linked to regional sustainable development
- Regional initiatives linked to regional sustainable development
- Structural Funds and sustainable development

Multi-level Governance

- Regional issues and cases which involve EU, national and sub-national coordination
- Multi-level interaction among the different stakeholders
- Cross-sector policy integration

Evaluation Methods and Tools for Regional Sustainable Development

- Existing evaluation methods and tools (including indicators)
- Types of measurement
- Harmonisation

Evaluation of Regional Sustainable Development

- Experiences with regional sustainable development
- Practical implications of regional sustainable development
- General trade-offs
- Top-down and bottom-up relations
- Post-2006