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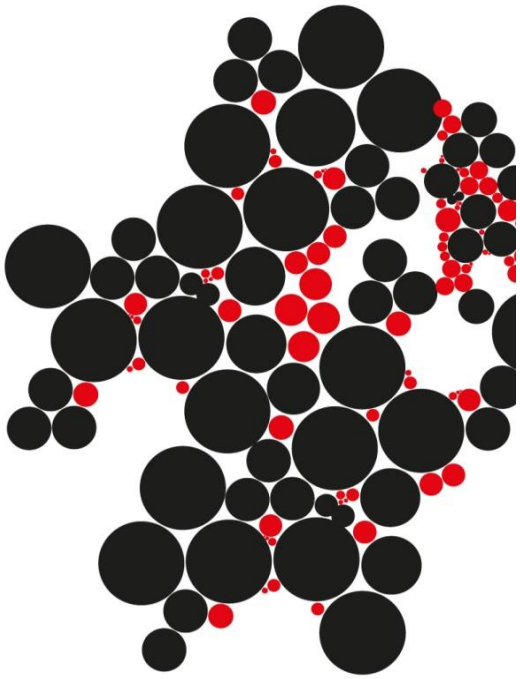

ADMINISTRATIVE SETUP AND THE PERFORMANCE OF MEMBER STATES IN THE EUROPE 2020 STRATEGY

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List of abbreviations

EINT: Energy intensity

EMPC: Employment Rate

EU: European Union

GDP: Gross Domestic Product

GERD: Gross Domestic expenditure on R&D

GGE: Greenhouse Gas Emissions

MS: Member States

NRP: National Reform Program

NUTS: Nomenclature of territorial units for statistics

OMC: Open Method of Coordination

POV: Poverty and Social Exclusion

R&D: Research and Development

RNEW: Renewable Energies.

SCHO: Early School leavers

TEDU: Tertiary Education

Summary

This Bachelor Thesis deals with the topic of the role of the regions in the administrative set-up of the member states (MS) and the EUROPE 2020 strategy. The EUROPE 2020 strategy has the goal to turn the European Union (EU) into a smart, sustainable and inclusive growth economy. Therefore the research question is *"Which role of the regions in the administrative setup contributes to high performance of member states in the EUROPE 2020 strategy?"* As the study is of an explanatory character the research design is a single-group design, or better a cross-sectional study, as the aim is to compare different countries. To say it shortly, the data collection contains secondary quantitative data provided by EUROSTAT. The relevance of the study lies in the fact, that there are huge differences in the performance of member states in accomplishing the goals of the strategy. As the strategy is focusing on the regions in Europe to be the key implementer it is expected that countries with more regional involvement are doing better. However results of this study show that the role of the region in the administrative setup is not significant in explaining differences in MS' performance. It is evident that only five out of 27 MS considering regions as important in their administrative setup are placed in the high performance section. Regarding the federal states, only Austria is a high performing country. According to these results one can say that the regional role does not depend on the administrative setup.

1.0 Introduction

At the time as the Lisbon Strategy was decided upon, its main goal was to turn the European Union (EU) into the most competitive and dynamic knowledge-based economy in the world by 2010 (Balenzentis & Balenzentis, 2011). It is a matter of fact that not only the strategy has failed to achieve this goal due to the focus on the supply-side and the market orientation, but also due to the facts that regional actors have not been involved enough in the process and that the goals have been far from the reality of what could be achieved (Walburn & Saublens, 2011). Because of this failing, a new strategy had to be developed. This new strategy, called EUROPE 2020, should help Europe to recover from the on-going economic crisis by boosting competitiveness, cohesion and economic convergence (Balezentis, Balezentis, & Brauers, 2011). Although this strategy is aimed at keeping the positive features of the Lisbon Strategy, three new main objectives have been set, with goals that are more easily to achieve in comparison to the headline goal of the Lisbon Strategy. These three goals consist of smart, sustainable and inclusive growth. By achieving these objectives Europe would set its path to fight structural weaknesses in the EU economy and, at the same time, boosting its long-run growth potential (Colak & Ege, 2013).

Since the EUROPE 2020 strategy is a relatively new topic, not much scientific literature exists that investigates, on the one hand, the administrative setup of a country and, on the other, the performance of the country in terms of the EUROPE 2020 targets. Whereby the former term describes the significance of the region in the administrative setup and with the latter term it is defined how different the level of performance in the EUROPE 2020 targets is in each MS. The targets of EUROPE 2020 are the following:

- until the year 2020 the goal of a 75 percent employment-rate of the 20 to 64 year-olds has to be achieved
- three percent of the Gross Domestic Product (GDP) has to be invested in Research and Development (R&D)
- the greenhouse gas emissions have to be 20 percent lower than 1990
- 20 percent of energy has to be obtained from renewables and a 20 percent increase in energy efficiency is needed.
- the rates of early school leavers should be reduced to below ten percent
- at least 40 percent of the 30 to 34 year-olds should hold a third level education certificate, and finally
- at least 20 million fewer people in or at risk of poverty and social exclusion should be living in the EU

(European Commission, 2013a).

The regions' role to reach the aforementioned goals is highly underlined by the EU due to the growing importance of the regions as an economic, administrative, political and cultural entity, which indicates that the EU favours more layers of government and thus decentralization (CoR, 2012 ; Hörnström, 2013). Reviewing the existing literature shows that studies concerning the topic of the EUROPE 2020 strategy in general are mainly available for

analyses of the poverty target, the implication of the strategy on the EU financial system, a general assessment of the strategy and how the Open Method of Coordination (OMC) can improve the implementation process of the strategy. One has to acknowledge that there are extensive studies dealing with the inclusive growth headline target though. This means that studies evaluating the performance of regions with respect to the accomplishment of the EUROPE 2020 goals exist, but are still limited. Based on these finding this Thesis contributes to the knowledge gap of why certain MS do better than others by taking the role of the regions in the administrative setup of the countries into account.

It is found that there are two opposing views regarding the importance of the regions' role in the administrative setup. There are firstly those countries which act on centralization and secondly those which underline the fact that strong regional involvement is essential for achieving the best results for a certain region.

Particularly the Nordic countries are the best example for the centralization assumption since their administrative setup can be defined as unitary and thus as centralized. For example Sweden is the one MS which achieves the highest accomplishment of goals yet and which nearly achieves all the goals set out in the strategy by now (Balezentis, et al., 2011), although there are weak regional levels of government with less involvement of regional actors (Hörnström, 2013). Besides that the unitary government can decide which competences it will provide the regions with, or which it withdraws. Setting these characteristics of unitary states in comparison to the EUROPE 2020 strategy one can say that Nordic countries are the best in achieving the smart, sustainable and inclusive growth goals (Colak & Ege, 2013).

This high accomplishment of goals of unitary states is remarkable, because actually it is expected that countries with a high developed regional level would achieve the highest performance. A high developed regional level can be described as taking power and functions away from the central government and giving it to the regional government. In addition regions can decide autonomously on policy fields in which the central government has granted them with powers.

Especially the EU underlines the fact that that the regional view is better as regions are considered as the key implementer and the main drivers for the accomplishment of the goals of the EUROPE 2020 strategy. However, the before-mentioned example of the Nordic countries indicates that the success of high performance can be related to the degree a state is centralized. This clearly is the opposite of what the EU actually wants, namely a "Europe of the regions", where regions are the key implementer and main driver in the completion of the goals. Or better, a Europe where the status of the national government is reduced with a growing cooperation between the regions and the EU (John, 1996). Achieving this Europe contributes to the guiding principle of subsidiarity[1].

In these facts lies also the high scientific and social relevance for the EUROPE 2020 strategy. That is to say if it can be proven that the centralization of states is the main success factor of the EUROPE 2020 strategy, the idea of setting regions in the focus of this EU strategy is wrong. This would lead to the result that the EU has to re-think the role of the regions in the

[1] Principle of subsidiary: Policies should be carried out at the lowest level possible.

EUROPE 2020 strategy. Indeed individual regional targets have to be reassessed by the governments if the study can provide evidence that the role of the region does not depend on the performance in the EUROPE 2020 strategy.

The structure of the remainder of the Thesis is as follows. The next chapter introduces the research questions which are central to the Thesis. The third part deals with a literature review, where the current state of the EUROPE 2020 strategy and the administrative setup is presented. Then a hypothesis is generated from the general framework. The hypothesis is useful, because on the one hand it leads through the Thesis and on the other it helps to answer the research questions. Fourthly, a research design and measurement part will be provided. This contains the research design and how the measurement relates to the theoretical concepts. To say it shortly the chosen research strategy is a cross-sectional study as different countries are compared on a single point in time. In addition the research is of an explanatory character. The goal of the Thesis is to explain the performance by the administrative setup of the member states. This also implies that the administrative setup is the independent variable and the performance is the dependent variable. In the fifth chapter the data and analysis section is presented. Here the relationship between the performance and the administrative setup is observed. The Thesis ends with a conclusion where the answer to the research question is provided. Additionally policy implications and suggestions for further research are discussed in this last chapter.

2.0 Research Questions

Bearing all the above-mentioned facts in mind, this section provides an overview of the research questions that the Thesis addresses.

As there is an assumed relationship between the performance of the MS and the administrative setup the research question regarding this Thesis is:

"Which role of the regions in the administrative setup contributes to high performance of member states in the EUROPE2020 strategy?"

To make the above-mentioned research question answerable, it is further divided into three sub-questions. The first sub-question deals with the EUROPE 2020 strategy and their goals in general. Therefore the question is based on the overall performance of the MS concerning the accomplishment of goals. The first sub-question is stated as the following:

1) *What are the main differences in performance of the European Union member states regarding the EUROPE2020 strategy?*

The second sub-question is about the MS and their role of the regions in the administrative setup. The existing literature provides a lot of examples where it states that the Nordic countries with unitary governments are doing quite well. Therefore this second sub-question is based on the assumption whether institutional arrangements or the administrative setup contribute to achieving the goals. This leads to the question:

2) *What are the main characteristics of the administrative setups of the member states?*

Keeping in mind the first and the second sub-question, this third question has the aim to put both sub-questions together. Consequently this last sub-question serves to explain the varying performance outcomes with the administrative setup. Therefore the last sub-question is the following:

3) *Which effects does the role of the regions in the administrative setup have on the difference in performance of the member states?*

As already outlined, the goal of the Thesis is to explain the performance by the administrative setup of the member states. This also implies that the administrative setup is the independent variable and the performance is the dependent variable.

3.0 Theory

The theory part of the Bachelor Thesis deals with a review of the existing literature in the area of EUROPE 2020, whereby the following theories and concepts are presented. This is firstly the administrative setup and regionalization process, secondly regions and public expenditure, thirdly regional diversity and finally, Europe 2020 and the national reform programs. Besides this, the theory part ends with making the relationship between the performance and the regional importance in the administrative visible by deriving a hypothesis from the before presented concepts and theories.

3.1 Administrative setup and Regionalization

To understand the concept of regionalization, it is firstly important to have a definition of the term region. According to Olsson & Aström (2003, p. 69) a "region is defined in a formal political sense, consisting of three dimensions: (1) the formal territorial space of the county council or some other type of regional organizational solution; (2) the organizational experiment or solution which varies from regional parliament to regional alliances of municipalities; (3) the competences and responsibilities of the regional organization". Resulting from this, regionalization is the concrete initiative and actual change in one or in all above-mentioned dimensions resulting in a decentralization of authority to the regions (Yoder, 2003). Turning now to the administrative setup it is it is true for unitary states that the regional level is relatively weak positioned in the nation state, this fact is underlined by several authors (Hörnström, 2013; Olsson & Aström, 2003; Stegmann Maccallion, 2008). Moreover the unitary state is in accordance with the principal-agent model. In other words, there is little room for regional authorities (for instance politicians and civil servants) to deviate from the strategies developed by the national state. The rather weak position of the regions is due to the fact that public power is centralized and concentrated and consequently, the regionalization process is harder to achieve, as new tiers between national government and regional government have to be developed. Moreover as Stegmann Maccallion (2008, p, 581) describes in the case of the unitary state of Sweden "Sweden has very little of what elsewhere

in Europe would fall under the term region". Of course one can say that regionalization of the EU brought a higher level of autonomy to unitary states (Blatter, Kreutzer, Rentl & Thile, 2008). Having a closer look at federal states, one can say that more competences are given to the regions with regard to regional sensitivity to certain problems. Granting regions more competences means that they can decide in an autonomous way regarding policy areas where the central government provided them with power. This also implies having a greater say in policies about the EU (Blatter et al., 2008) and thus they can veto decisions made by the government (Hooghe and Marks, 2012). Another crucial fact which deviates federal- from unitary states is that the legislative power is divided between the federal- and the regional level. In other words, the goal is to create several levels of government which co-exist (Ancar, 1999; Theret, 1999) and can exercise power in a way to achieve the goals set by government in the best possible way for a certain region (Hooghe & Marks, 2012). With the regionalization process, federal states could expand their competences further. Especially in the case of foreign policy, they could conduct autonomous decisions and influencing the policy (Blatter et. al, 2008). After the year 1997 the regions have been put more in the focus as a key actor of EU policy due to the expectation that involving regions in the formulation of policies means gaining their support of the policies (Brusis, 2002). Moreover the regions have grown in economic (maintaining competitive advantage) and cultural importance, in more effective policy outcomes and in the enhancement of responsibilities of the regions, for instance the administration of EU Structural funds (Bachter & McCaster, 2007; Bomberg & Peterson, 1998; Hörnström, 2013; Stegmann Maccallion, 2008). It is also true that the creation of regions has been necessary to become an accession country to the EU. In other words there is an existing demand of the EU to comply with its rules and legislation[2] and one of these rules is to create a regionalized system of administration (Brusis, 2002; LaPlant, Baun, Lach & Marek, 2004; Yoder, 2003). To create such a system has been a long journey for centralized states as the existence of regional levels has been very weak or lacking at all (Bachtler & McMaster, 2007). Although it is even true for decentralized states that the regions vary in their legal status, set of administrative functions and political weight (Brusis, 2002; Loughlin, 1996), as a result no MS can serve as a role model in region building. With introducing the EUROPE 2020 strategy, regions became even more important because, on the one hand, the obligation of implementation is in the hand of the regions and, on the other, the strategy should be governed from the regional- instead from the national level. The creation of regions is highly necessary and recommended though. A reason why this process of regionalization, as favoured by the EU, is not achieved yet is, on the one hand, that MS fear the complex administration (Bachtler & McMaster, 2007) and that, on the other hand, unitary states have problems with the creation of administrative arrangements for regional governance since they are fearing a violation of values of their political culture. It is for example France which is still struggling to create regions which can exercise influence on the political agenda (Hulst, 2005). Whereas federal countries show no or only a few problems in the regionalization process (Yoder, 2003). These facts lead again to the question, why some states are doing quite well, although they are, for instance, unitary states with less regional involvement and missing tires of communication between national governments and the regions. In practice the regionalization process differs from country to country, which also

[2] This is called the acquis communitaire.

means that the possible outcomes are different in the member states of the European Union. As Kettunen and Kungla (2005) propose it is important to understand the diverse implications the regionalization process has on federal, unitary and even regionalized states, only with accepting the different forms of government it is possible to acknowledge that MS need different forms of action and that the degree of the accomplishment of goals differs. Another point of attention is that some MS may formally be federal, but are culturally unitary (Blatter et. al, 2008). This also means that federal countries differ in the degree to which authority is granted to certain regions and to what extent unitary states are decentralized (Hooghe & Marks, 2012). One can acknowledge that not all MS are satisfied with the regionalization process this is the case because regions doubt their ability to cope with the tasks, especially if the regional structure is newly created as in former accession countries (Bachtler & McMaster, 2007). The administrative setup can consist of different characteristics, for instance the degree to which a region can exercise authority, and all of these are important in determining the contribution to the performance. Of course, regionalization with decentralizing the power has the effect that the economic prosperity is growing as the different economic advantages of a region are taken into account and the region can specialize in their advantages. Hence, this specialization contributes to the EUROPE 2020 targets in a sense that they are more easily to achieve. On the other hand, regions themselves do not believe that they can manage the tasks given to them (especially EUROPE 2020), because the nation state does not consider them as important, it is thus hard to achieve the goals set out in the strategy. Additionally, this is also the case with those governments which are not willing to give up power to the regions or fear that the economic differentiation would increase (Yoder, 2003). Therefore one can conclude that the relationship between the regions and performance is of high importance. It is a matter of fact that the performance is dependent on the regional prosperity, or better advantages a certain region possesses over other regions. In other words, if a MS can come up with more regions, and hence regionalization, it is easier to cope with the goals, as for every regional situation a special strategy can be developed which takes into account the different needs of a region. Finally, if the regionalization process creates more regions, the performance in the EUROPE 2020 strategy increases as then the regional authorities feel that they have the power to contribute to the goals, and thus EU policies are granted higher acceptance.

3.2 Regions and Public Expenditure

As the Thesis contains public expenditure as one indicator for the administrative setup, it is crucial to review the literature on this topic as well. Public expenditure is money which is spent by the government for example on education, health care and government administration (Manning, 2004). Indeed it is also spent to increase the regional prosperity regarding productivity, income, growth and employment (Devarajan, Swaroop & Zou, 1996; Heald & Short, 2002) since regions have no chance to shut down trade barriers, are affected by exchange rates or their geographical position may account for prosperity (MacKay, 2001). It is the work of Rodriguez-Pose, Psycharis and Tselios (2012) that acknowledges that regions which benefit from public expenditure can generate positive externalities that flow into other regions. An example of this is the convergence in labour productivity. The fact that public expenditure is spent, does also contribute to the accomplishment of EUROPE 2020 goals.

This is the case as for instance the spending on health care has effects on the degree of poverty in a country (Manning, 2004). For this reason good spending means a lesser level of poverty and this automatically contributes to inclusive growth target of EUROPE 2020. One also has to differentiate between identifiable regional expenditures (incurred on the behalf of the population on for example health and social security) and non-identifiable regional expenditure which consists of public goods like defence (MacKay, 2001). At the same time the identifiable regional expenditure can be divided in "for a region" which are granted by the government to benefit the regions, and "in a region" which do not take into account how a region could benefit but is spent on the geographical boundary (Heald & Short, 2002). From reading the existing literature it has become clear that various authors agree on the fact that if regions should work efficiently, the government has to know where it spends the money in a sense that it benefits each citizen equally. One important aspect of this is that the government shares the public expenditure on the needs visible in a region, but unfortunately the motives on how to spend are still consisting of tradition and former habits (McKay, 2001). On the contrary the equality principle produces transfers from richer regions to poorer regions (Danson, 2001). These transfers are unavoidable and have the aim to stabilize and to treat each citizen equally with granting the same amount of public goods (horizontal equity). But these transfers are only useful if the spending is not disproportionate, because otherwise the opposite of equality is achieved (Devarajan et al., 1996). Moreover expenditure is only reasonable if the advantage of the spending is felt in the region itself (Cameron, Mclean & Wlezien, 2004). That is the case if regional governments can decide where the money should be spent (Danson, 2001) because regional governments know where the regional disadvantages and advantages are (for example low income); leading to more equality and balance. The literature also reveals that a country spends the money according to their political government and hence the results are not the same. In other words, a highly decentralized country spends the public expenditure differently than a country, which is more centralized (Manning, 2004). Moreover Profeta, Puglisi and Scabrosetti (2012) found that there is a clear relationship between public expenditure and the political government. Especially federal countries use the aforementioned transfer to gain equality and improve the opportunities of the regions (Danson, 2001). It is a matter of fact that the expenditure itself is allocated more efficient by the regional government since the utility is higher. This is due to the fact that those who decide about the regional public expenditure are closer to regional problems (Alegre, 2009). But there are also drawbacks. These include for example the cost of administration. That is to say the costs are one reason why economic growth is slowed down (Alegre, 2009). On the other hand, in unitary states the central government decides how much money is granted to certain regions as the expenditure is centralized. One reason for this is that "central government… tries to control for the policy of the central government…" (Alegre, 2009, p. 1072). Consequently, problems that are visible in the regions are not taken into account by the government leading to incorrect spending (Heald & Short, 2002) to an extent that inhabitants of poorer regions have the feeling they receive not enough attention (Morgenroth, 2008) and that spending is too low in relation to their problems (Heald & Short, 2002).

Another important thing to mention is that through the above explained regionalization process of the EU, potential candidate countries have had to comply with the standards of the

EU. As a result the public expenditure on regions has increased from 15.8 percent to 33.9 percent (Alegre, 2009). Even Morgenroth (2009) underlines the increasing significance of regional public expenditure. This may be an indicator that regions in the EU have become more important especially in the newer MS. It is also a matter of fact, that not every MS distributes information on the overall public expenditure on the regions (Danson, 2011). This can be an indicator for lesser importance of the regions in certain MS. How the national government distributes public expenditure is therefore important in assessing the status granted to regions and is hence crucial for the measurement section of the Thesis. Moreover if regions are granted a share of public expenditure, this also implies that the regions are seen as important. As it has already been outlined above, if a region feels recognized by the central government it has a higher incentive to comply with the policies set out by the EU. This results in a better performance of EUROPE 2020. It is also the case that not every MS spends public expenditure on the regions but on the local level, this means that regions are not considered as too important in the particular MS. For these states it is expected that these are showing a lesser degree of overall performance of the EUROPE 2020 targets. These facts lead to the assumption that, in the end, there is a clear relationship of the importance of the region in the administrative setup and the degree of performance.

3.3 Regional Diversity

Another concept which is important is the regional diversity. The concept of diversity can be described as regions possessing diverse characteristics and showing different chances, needs and problems resulting in an EU that is full of regional richness. As it is outlined above, while achieving or making progress with the EUROPE 2020 goals, it is crucial to take the political government into consideration, but also to what extent each region differs from one another. These differences can for instance result in different levels of growth. It is for example Terlouw (2011) who underlines that the diversity of a region is shaped by the territorial shape (borders), by physical regional characteristics, by the regional stereotypes (characteristics of the inhabitants), by the institutional symbolic shape (the consciousness of the population) and the functional shape (role of the region in the nation state). Up to a point the diversity of regions is still increasing. As Olsson & Aström (2003) acknowledge in their study, this increasing diversity makes it harder for national governments to make decisions about what does fulfil their needs to have better economic opportunities, and in which they have to invest to extent their advantages. Some MS have recognized the concept of diversity in an early stage. Meaning that, on the one hand, close regional cooperation has steadily been developed and, that on the other hand, the national government has encouraged regional partners to encounter regional prospects and problems. Although one has to acknowledge that the regional diversity is not a problem of all MS. Mainly smaller states can be characterized as a homogenous country. These possess characteristics of an undisputed national identity and local identities instead of regional identities with one dominating language (Olsson & Aström, 2003). This shows that it is easier for such smaller states to comply with the goals set in the EUROPE 2020 strategy as there are not many cultural and social differences in the country. Nonetheless, the issue of regional diversity is highly crucial in larger MS. Next to the described relatively homogenous groups in smaller countries, there are also regions and MS,

with distinct cultural identities and languages which have been established over generations within the region (Terlouw, 2011). In these states exist minorities who link their history to the region and not to the state (for instance Flanders,Walloon and Catalonia). Moreover regionally differences and economically independent regions are found in such countries (Blatter et. al, 2008; Brusis 2002). These can be called heterogeneous (Hooghe & Marks, 2012). This leads to the assumption that the concept of *thick- and thin* regional identities can be drawn out of this. In other words, there are regions that possess traditional and well-established identities (thick) and those that see themselves more transitory with the focus on economic competitiveness and functional cooperation (thin) like border regions (Terlouw, 20011). As a matter of fact, it is true that the geographical position of regions is crucial, too. In other words, regions that are surrounded by regions that are doing quite well in achieving the goals show better conditions to achieve the goals more easily and, hence, need different or more specific policy goals (Dominicis, Florax & de Groot, 2013; Walsh, 2012). Also border regions co-operate with regions in neighbouring MS to promote economic development (Medeiros, 2011; Yoder, 2003). Promoting economic development results in a better performance position in accomplishing the three EUROPE 2020 growth since a higher number of employed people can help to minimize the people who are at risk of poverty. Developing special strategies for poorer regions has the effect of increasing their performance since more attention is paid to them. Even the EU underlines the fact that the regional diversity should be turned into strength. As a result diversity can be used to attract investors for different regions (Servillo, Atkinson & Russo, 2011) and so generate the growth priorities outlined in the EUROPE 2020 strategy since regional investment promotes economic development. But this is totally different to what Bachtler & McMaster (2007) point out, namely that in the regionalization process regions have been put together, although demonstrating different socio-economic characteristics. Consequently the economic potential of each of the regions has been weakened due to diverse socio-economic needs and so the growth potential has decreased. This implies that the assumed regional diversity does play a huge role in the MS and is a crucial concept for the accomplishment of the EUROPE 2020 goals. This is especially due to the fact that the performance on the objectives which the MS show on the different indicators are driven by the regions itself and hence are relying on the diversity of each region. In other words regions showing, for instance, better economic conditions (for example more industrialized MS) are thus more attractive for development strategies (Servillo et al., 2011) and to promote a specific regional identity (Terlouw, 2011). This achieves a better EUROPE 2020 performance in those countries. This shows that strategies have to be developed, which concentrate on regional diversity. Of course, this is the case with EUROPE 2020, as regions are seen as the key implementer. Furthermore the history of regions plays also a crucial role. That is to say that not all regions have been privileged enough to establish institutional capacity in the past, but only this will lead to economic development (Bachtler & McMaster, 2007). It is a matter of fact that the country data that has been gathered is relying on this regional diversity. Consequently to avoid blurring the data only country data is collected, because the Thesis will not assume the regions as economic entities. To conclude the performance in the EUROPE 2020 strategy is highly dependent on the administrative setup of the regions. As it has been described above regions possess different characteristics (e. g. problems and needs). That is to say if EUROPE 2020 takes not

into account this kind of richness and instead develops only one central strategy the performance would be lower due to missing out capacities of the regions. This is the case as strategies which are developed for high performing regions contribute nothing to low performing regions in the same country. Consequently, the regions are the promoter of high performance in the MS. Meaning that only those countries that aware of the diversity can cope with the problems and define the best strategy to use. So the setting of regional goals is highly necessary if high performance is to achieve as fast as possible.

3.4 Europe 2020 Strategy and the National Reform Programs

The fourth crucial concept is the EUROPE 2020 strategy in connection with the National Reform Programs (NRP) of the particular countries. Needless to say, the NRPs serve as the framework for defining, evaluating and implementing the three growth priorities and the headline targets of the EUROPE 2020 strategy in specific MS. Moreover, these growth priorities, or pillars, are described best as "smart growth" (or developing a knowledge- and innovation based economy), "sustainable growth" (or MS should become more resource efficient and greener but at the same time even more competitive) and "inclusive growth" (or promotion of a high-employment economy delivering economic, social and territorial cohesion) (Pasimeni, 2013). One can say that the predecessor strategy, the Lisbon strategy, has measured the success of MS in an inappropriate way with the wrong tools. This is one reason why certain indicators (or headline targets) have been developed to monitor the progress of each country. These indicators consist of Tertiary education attainment and Gross domestic expenditure on R&D for the smart growth dimension. For the sustainable growth dimension, the Greenhouse gas emissions, the Share of renewable energy in final energy consumption and Energy intensity of the economy play a role. The last dimension's indicators are the Employment rate of the population aged 20-64, Early leavers from education and Population at-risk-of-poverty or exclusion (Balenzentis et al., 2011; Pasimeni, 2013). These indicators are highly important for the following assessment of the accomplishment of the goals because, one the one hand, they make measurement easier which has been one drawback of the Lisbon strategy, and on the other, the needs and opportunities of regions have to be taken into account by the nation states. Also EUROPE 2020 has its strong points in these indictors since the emphasis is set on policy areas where the EU and MS can deliver the best result in performance (Bongardt & Torres, 2010). Where a strategy has its advantages, it also has its weak points. It is for example Erixon (2010) who admits that the chance of failure of the strategy is high as EUROPE 2020 focuses too much on areas that are outside the EU's legal competences. Additionally he concludes that harmonization of goals, targets and policy brings the strategy to no success, because fast results are favoured. This takes the literature again to the NRPs and the importance of the regions while achieving the goals of the EUROPE 2020 strategy. In other words, countries publish their NRP, by saying which goal they can reach to which degree, in which amount of time and with which means. Another advantage of this is that countries see their non-compliance with EUROPE 2020 targets at glance (Bongardt & Torres, 2010). Later the Commission gathers the NRPs to monitor the progress the MS have done and then provide them with country-specific recommendations and very specific objectives depending on the region to provide support for weaker regions

(Soriano & Mulatero, 2010; Walburn & Saublens, 2011). As a next step the European Council has the task to assess the overall performance of the MS on the indicators, this process is done once a year (Bongardt & Torres, 2010). It is a matter of fact that with these NRP the governance of the EUROPE 2020 goals has been improved compared to the Lisbon strategy. This improvement, which is based on the regions in the country-specific recommendations, guarantees a better implementation based on needs and problems. The outcome of this is a faster accomplishment, and hence better performance, of the goals with a stronger cooperation and greater policy coordination between regional actors and the EU. Furthermore the NRPs should be based on the following guidelines to be fruitful as outlined by Balenzentis et al. (2011, p. 8) these are (1) ensuring the quality and the sustainability of public finances; (2) addressing macroeconomic imbalances; (3) reducing imbalances within the euro area; (4) optimizing support for R&D and innovation, strengthening the knowledge triangle and unleashing the potential of the digital economy; (5) improving resources efficiency and reducing greenhouse gases; (6) improving the business and consumer environment, and modernizing and developing the industrial base in order to ensure the full functioning of the internal market. Another fact is that regions should take the task of implementing and achieving the goals more seriously including more self-starting initiative to accomplish the goals rather than relying on the national government and their plans (Walburn & Saublens, 2011). Finally, one can say that this concept is important in answering the research question, because if MS rely on the recommendations given by the Commission the performance of accomplishing the goals increases immediately. This is also a matter of fact since the recommendations are given to the regions and hence the outcome of the whole country is based on it. In other words, if certain regions show high performance and other regions low performance on the aforementioned indicators, it is summed up to one overall assessment. The fact which can be drawn out of it is that if all regions get recommendations based on their prosperity to reach the EUROPE 2020 targets, the overall performance rises as the performance is based on which degree the regions achieve which indicator.

What is shown above the existing knowledge or literature in the field of the administrative setup and performance of EUROPE 2020. One can say that the theoretical framework identified the key concepts of public expenditure and regions, regional diversity, regionalization and the administrative setup, the EUROPE 2020 strategy and NRP as highly crucial in answering the research questions. As outlined before, the regions are considered as highly important by the EU itself, but are not that much represented in the existing literature until now and may not characterize the success story in some countries as not every region has authority in decision-making. Therefore it is interesting to see to what extent the importance of the regions in the setting-up of countries is actually responsible for achieving the EUROPE 2020 targets.

3.5 Hypothesis

Having described all the important theories and concepts, the hypothesis has the aim to specify the theoretically expected causal relationship between the dependent and independent

variable. Furthermore the hypothesis aims to answer the aforementioned research-questions. In the end of this Thesis it is found out if the hypothesis can be rejected or be proven as correct. The hypothesis is formulated as the following:

H_1: Member States in which regions are important in the administrative setup are more likely to show high performance in accomplishing the goals of the EUROPE 2020 strategy.

This hypothesis directly relates to the view that strong regional involvement is essential in achieving the best outcomes in the EUROPE 2020 strategy. This is also underlined by the previous sections of 3.1 to 3.4. The first section especially has been useful to gain knowledge that for highly regionalized MS it is easier to cope with the EUROPE 2020 strategy since necessary communication channels between the national- and the regional government already exist. Additionally regions are granted more competences meaning they can decide autonomously on setting own targets or a special strategy. This contributes to a higher performance in the EUROPE 2020 strategy. Section 3.2 has been useful in defining the most important aspects of the administrative setup and in finding out that if public expenditure is spent on regions, regions can work more efficiently. This contributes to the accomplishment of goals since regional governments know best where they have to spend the money in order to achieve the goals. The Section of 3.3 has made clear that regional differences exist. That is to say regional governments can improve their advantages by developing strategies for those regions which lack behind. This goes hand in hand with Section 3.2, because public expenditure can help to increase chances in a diverse Europe. The last section has been used to elaborate the performance in EUROPE 2020. That is to say the above-described targets are used to define high- and low performers. Moreover the NRPs are crucial, because they give advice on how to achieve the goals especially for regional involvement.

The next part describes how this Thesis will provide the necessary results.

4.0 Research Design and Measurement

In this research design and measurement chapter the methodological part of the Thesis is outlined. In short, a cross-sectional study is used. This design is appropriate since the MS of the EU are compared on their performance in the EUROPE 2020 strategy. The following sub-chapters give an outline of the research design, units of analysis and the data collection and, of course, how the variables are measured. This chapter concludes with the internal threats to validity of a cross-sectional study. What is noticeable is that there is an alternative in measuring the outcomes. In this Thesis the measurement is based on the overall country data. This means that the alternative approach would consider the 271 regions of EU-27 in the country as the independent variable and the performance of regions rather than the overall country as the dependent variable. One can say that the measurement of this Thesis takes the differences away in the regional level, but is in the end the best suitable design for this kind of research as an overview of the performance of MS is created.

4.1 Research Design

Bearing the actual goal of the Thesis in mind, namely to explain the performance of accomplishing the goals of the EUROPE 2020 strategy with the importance given to regions in the administrative setup of the MS, this sub-section of the chapter provides an outline about the methodological background to answer the main research question.

To answer the explanatory research question, the research design composes of a single group-design, or in other words, of a cross sectional study. According to Babbie (2007, p. 106) "A cross-sectional study involves observations, or cross section, of a population of phenomenon that are made at one point in time." For this study the design is suitable as the aim is to compare different EU-countries (or different population groups) on performance on a single point in time. Moreover the administrative setup of countries and the performance of the accomplishment of the EUROPE 2020 goals are evaluated, which means that the study environment cannot be manipulated. The benefit of this design, regarding the study, is that different variables can be compared.

4.2 Independent Variable

To operationalize the independent variable, the administrative setup is consisting of three variables for this study. These variables contain firstly a distinction between unitary- and federal states[3] and secondly the share of public expenditure. This is especially crucial because, if the government gives the regions a greater share of the expenditure, it is assumed that the region is more important and has regional autonomy in decision-making. The last variable is the relative number of regions in the country. This variable is called the relative number of regions since it is related to the number of inhabitants. The relation of the number of inhabitants to the number of regions is necessary as larger and smaller EU states are represented with different numbers of regions. Comparing only the number of the regions in different MS would make no sense since larger MS have more regions due to their larger size. Therefore it is not the real significance a country grants to its regions. The distinction in the administrative setup is necessary in order to answer the second sub-question, which is dealing with the administrative setup of a MS "*What are the main characteristics of the administrative set-ups of the member states?*"

4.2 Dependent Variable

A study of Bongardt and Torres (2010) has shown that the gap between the best performing and the worst performing MS has increased during the last years of the Lisbon Strategy. To make this gap smaller the EUROPE 2020 strategy has the aim that every MS develops their own strategy, so that they can make constant progress in which the overall growth potential is increasing. Hence different assessment theories of the performance already exist. While reading the literature on the general assessment of the EUROPE 2020 strategy in different

[3] For an overview of unitary and federal states see the appendix.

countries it has become clear that different methods have been used by several authors. There is one method that is called MULTIMOORA. This method is used especially if studies are based on regional studies and international comparisons (Balezentis et al., 2011). The outcome of this method is that countries can be characterized in high-, medium- and low performance groups with some countries showing dominance over other countries. Another method is the COMPOSITE PERFORMANCE INDEX or the EUROPE 2020 strategy index. This index helps to observe cross-country comparisons the performance of MS and of candidate countries and to benchmark on the targets set in the strategy by a single indicator (Colak & Ege, 2013). To describe it shortly, this index is useful when individual indicators are compiled into a single index and the measuring of multi-dimensional concepts is preferred. A third index is the EUROPE 2020 INDEX. The goal of this index is "to allow a quantification of the relative position of each member state towards the objectives of the strategy" (Pasimeni, 2013, p. 614). Moreover this index respects the different dimensions and policy priorities.

To operationalize the dependent variable, the performance in accomplishing the EUROPE 2020 goals, the focus is set on three growth priorities (smart, inclusive and sustainable). Moreover, these priorities are measured with the indicators which are proposed by the EU. In Table 1 an overview of the indicators measuring the EUROPE 2020 performance is given. The table is organized by the growth priority in the front and then by specifying which indicator is used to measure which priority. Additionally, the distinction between the indicators is especially important in answering the first sub-question "*What are the main differences in performance of the European Union member states regarding the EUROPE 2020 strategy?"*

Table 1: Europe 2020 growth priorities and measurement indicators for the performance of MS

Europe 2020 growth priorities and measurement indicators for the performance of MS			
Smart growth index	Tertiary education	Gross domestic expenditure	
Sustainable growth index	Greenhouse gas emissions	Renewable energies	Energy intensity
Inclusive growth index	Employment rate	Early school leavers	Poverty and social exclusion

(Source: European Commission, 2013a)

4.2 Units of Analysis

The research contains 27 cases (N=27). Those are the cases of the 27 member states[4] of the EU. Including all MS has the advantage that the study examines the whole population, and can so generate a deeper inside, in the topic of EUROPE 2020. Moreover, the whole population is observable since the sample is relatively small. Furthermore the 27 MS are defined by characteristics which they have in common. So it is firstly the administrative setup

[4] Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and United Kingdom.

including unitary and federal states, public expenditure and the number of regions. And secondly by the dependent variable (performance), which contains the characteristics of smart, inclusive and sustainable growth. These characteristics occur in all MS since all MS have to reach the EUROPE 2020 goals. For the number of regions it is important to mention that classification of territorial units for statistics (NUTS) is used. In other words, the number of regions in a country is based on the classification of NUTS-2[5]. According to a publication by Eurostat (2009) the classification is grounded on the administrative division of each MS. That is to say, the organization of NUTS is highly useful for this work[6]. The number of those regions is then set in comparison with the number of inhabitants of the whole country. Data for all these countries and their performance is available and is used on the latest point available. That implies for the Tertiary Education (TEDU) the year 2012, for Gross Domestic expenditure on R&D (GERD) 2011[7], for the Greenhouse Gas emissions (GGE) the year 2010, for the Energy Intensity (EINT) the year 2010, for the share of renewable energies (RNEW) the year 2011, for the overall Employment rate (EMPC) the year 2012, for the early school leavers (SCHO) the year 2012 and finally for the Poverty and Social Exclusion (POV) dimension the year 2011[8]. This is necessary, because these years cover the latest degree of performance and thus reflect the current state of the performance.

4.3 Data collection

To test the hypothesis, the data collection method uses existing secondary data. EUROSTAT offers a range of data on the performance, implying the eight indicators, of each MS in the EUROPE 2020 strategy. Furthermore EUROSTAT contains a lot of regional and country specific data which is useful to answer the research questions. It also has information on the government expenditure by sub-sector of general government available, which helps to answer the assumption that countries in which a higher amount is granted to subnational governments, regions have a higher importance. All in all one can say that the data used is quantitative data based on numbers. Of course data obtained on the unitary- and federal state dimension seem at first sight qualitative, but these can easily be transformed into quantitative data.

4.4 Data analysis

The objective of a cross-sectional study is to make inferences about the effect of one or more variables on an outcome variable. A good way to analyse the 27 member states (whole population) is that firstly the performance variable is put into an index. This means that the first step is to make the results of the eight indicators comparable. This is done in a sense that data is normalised and as a result values between one (low performers) and two (high performers) are granted to them. Another crucial note is that of the eight indicators four are positive and four are negative, meaning that for high performing countries in the negative

[5] NUTS-2 has a minimum population size of 800000 and a maximum of 3 million.
[6] For an overview of the number of regions see the appendix.
[7] Except Greece: 2007.
[8] Except Ireland: 2010.

indicators high performance equals a smaller outcome. If a country is high or low performing is chosen by calculating the mean of all countries. Countries higher than the mean are high performing MS (except for the negative indicators) and those performing lower than the mean are low performers (for negative indicators the other way round). The actual goals of EUROPE 2020 are therefore not integrated in the calculation since it has to differentiate which countries can be seen as high performers and which not. Furthermore the analysis focuses only on the latest data available and MS still have time to accomplish the goals by the year 2020.

Secondly, the administrative setup is compiled into one index, too. The goal of the analysis is to find out the importance of the role of the regions in the administrative setup. Therefore the results are made comparable by assigning numbers between zero and three. In the case of the political government, indicating federal-or unitary states, federal states are given two points since a higher importance of regions is assumed according to the definition of a federal state. On the other hand unitary states are given one point. Then the importance of the NUTS-2 regions in relation to the overall country inhabitants is calculated. In the end one point is given to those which have the lowest numbers, two points to middle numbers and three points to higher numbers. Finally for the share of public expenditure, one point is granted to those MS which give expenditure to regions. Those that do not are gaining zero points. Countries which grant importance to regions in their administrative setup have gained more than four points. As a next step a high- and low performers will be outlined. High performers are those MS which generate a sum of these three performance indicators higher than 13. The goal of this measurement analysis is to create a matrix which indicates European Union members as high- or low performers with no or little- and high regional involvement granted in the administrative setup.

4.5 Threats to internal validity

Generally speaking, a study has internal validity if the inferences that are made about the causal effects are valid for the population, here MS, that is being studied. Moreover the dependent variable is the one that causes the threats to internal validity. The next paragraph assesses the internal validity of this Thesis.

In this part the threats which are most often visible in cross-sectional studies are outlined. Possible threats to this study can be that only one data source (EUROSTAT) is used. Consequently causal direction bias can occur and thus the validity is reduced. In the end, one can say that this is no potential threat for this study, as EUROSTAT is a database, which draws up the conclusion on an objective basis with the aim to compare different states (European Commission, 2013b). Another threat to validity can be history. To quote from Gerring (2012, p. 422) history can be explained as “A type of confounder… where the treatment is correlated with some other factor that effects the outcome of interest…” This threat is also minimized in this study, since there have been no changes, for instance, in the administrative setup of the country in the near past. Also the aforementioned regionalization process, which has had the aim to create more regions in the former so called accession states,

has no real impact on the data since the NUTS-2 level is relevant for the study and generally speaking the NUTS-2 level is the real number of regions in a country. A third threat can be maturation. This threat can be best described as changes between observations that influence the observation measurements. Here is to notice that the financial crisis could have had an impact on the amount of public expenditure granted to the regions. This means that a lesser amount is spent, but the maturation threat is reduced, because even the national governments have spent less, governments which have spent more in the past have still spent more than those who spend a lesser amount. Another threat which occurs often in cross-sectional studies is called selection bias. Selection means that the wrong groups have been chosen who should participate in the study. This threat is minimized since the whole population is observed and not just a sample. A last threat and the most significant threat is ambiguity. Ambiguity can be explained as a misperception that the independent variable really causes the change in the dependent variable. This is the case, because in this study the administrative setup only consists of three variables, which is due to the small population size of N=27. Accordingly different factors can be responsible for the difference in performance. That is to say, on the one hand, the performance variable is multivariate and certain factors are not taken into account in the Thesis, and on the other hand, the outcomes may not be the real result as only one explaining factor is taken into account. Moreover the small population size can provide the problem of a lack of representation. In contrast, the study should only be generalizable to the EU and not to countries outside, firstly because EUROPE 2020 indicators are not designed for other countries (accept other European non-EU countries), so the small size is justifiable.

5.0 Results

This chapter demonstrates the results of the empirical analysis on how the performance can be explained by the regional involvement in the administrative setup. Moreover it is forming a matrix between the independent and the dependent variable. This chapter has the objective to build a baseline for answering the research question of *"Which role of the regions in the administrative set-up contributes to high performance of member states in the EUROPE 2020 strategy?"* This is done in the following way. The first section of this chapter aims to answer the first sub-question, the second sub-chapter answers the second research question and the third part answers the third sub-question. To conclude, this chapter assesses the role of the regions in accomplishing the EUROPE 2020 goals.

5.1 Differences in EUROPE 2020 performances

The aim of this first part of the result section is to provide an overview about the differences in the performance of each MS. This means that this section answers the first sub-research-question, which is stated as the following "*What are the main differences in performance of the European Union member states regarding the EUROPE 2020 strategy?"*

It is firstly important to have an overview of the overall performance of the MS; therefore descriptive statistics are used. These statistics indicate those MS which achieve the best

performance and worst performance on each performance indicator. A crucial point to mention is that these indicators can be divided into positive indicators (a higher value represents higher performance) and negative indicators (higher values represent worse performance). Resulting from this is that the following indicators can be grouped as positive. These are TEDU, GERD, RNEW and EMPC. The negative indicators consist of GGE, EINT, SCHO and POV. Table 4 summarizes the outcomes of the descriptive statistics.

Table 2: Descriptive Statistics of the EUROPE 2020 performance indicators

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
TEDU	27	21,70	51,10	36,8778	9,90060
GERD	27	,48	3,78	1,6663	,95361
GGE	27	42,00	168,00	90,5185	30,65236
RNEW	27	,40	46,80	15,8889	11,29136
EINT	27	902,00	306356,00	60994,1111	81354,75197
EMPL	27	55,30	79,40	68,4080	6,04076
SCHO	27	4,40	24,90	11,3259	5,25522
POV	27	84,00	17112,00	4438,3333	5390,41606
Valid N (listwise)	27				

Furthermore Table 2 indicates the minimum and maximum score of each performance indicator and the mean which is used for the classification of high- and low performance. Member States scoring high and low on each of the performance indicators are best outlined by the Figures 1 to 8. It is firstly that for the TEDU indicator Ireland with 51.1 percent of the population aged 30 to 34 who have attained tertiary education is the best performer. On the other side, in Italy only 21.7 percent of the specific population participates in tertiary education. For the second indicator (GERD), it is Finland that scores highest with 3.78 percent of the GDP spent on R&D. The weakest performers for this indicator are Romania and Cyprus with only 0.48 percent of GDP. For the share of renewable energy, Sweden has a share of 46.8 percent in comparison with Malta having only a share of 0.4 percent. For the EMPC indicator Sweden ranks the highest again, with an employment rate of 79.4 percent in the age group 20-64. On the end of the list one can find Greece with 55.3 percent. Turning now to the negative indicators, Lithuania is determined scoring best for the GGE indicator. Cyprus with 168 scores the worst in comparison with the year 1990. The next indicator of the energy intensity shows that Malta with only an intensity of 902 tonnes is the highest performer. On the contrary Germany has the highest energy intensity with 306356 tonnes. But one has to acknowledge that the reason for this may be the size of the country and the population[9]. For instance Malta has only a population size of 0.4 million in contrast to 82 million in Germany. For the share of early school leavers it is noticable that Slovenia with 4.4 percent of the population aged 18-24 has the lowest rate and already achieved the goal of

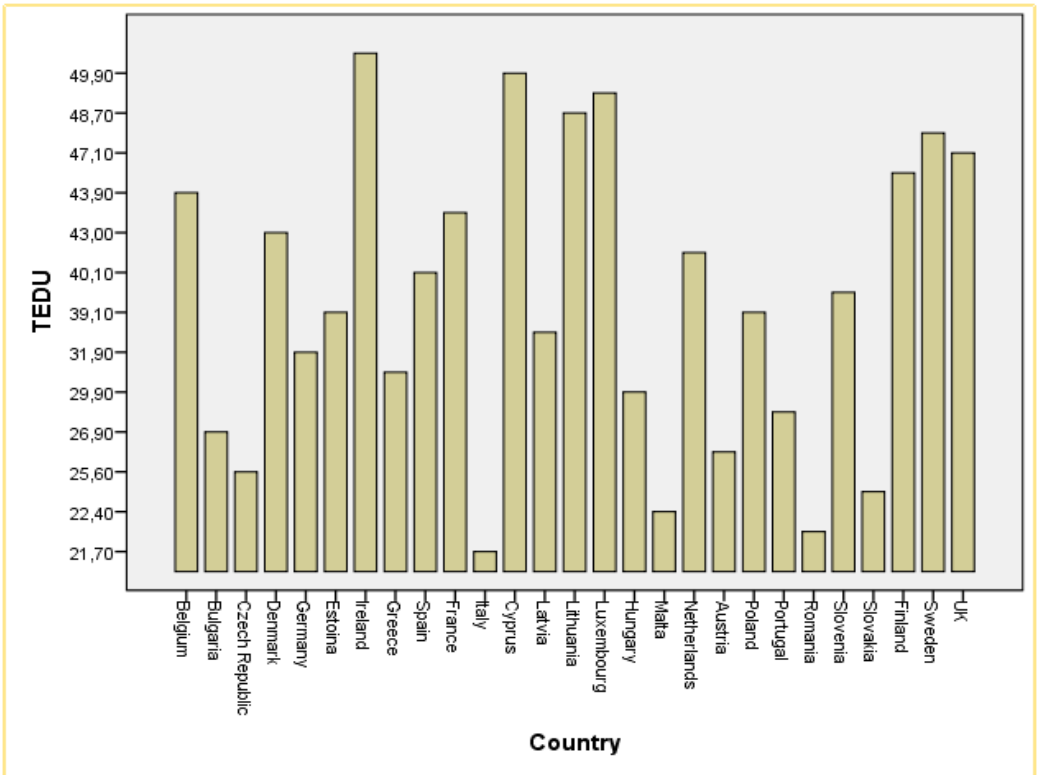
[9] For an overview of the population size see the appendix.

under ten percent. However Spain has a dropout rate of 24.9 percent and has to put effort into accomplishing the headline target. Finally, the last indicator (POV) demonstrates that 84 Thousand people are at risk of poverty or social exclusion in Luxembourg in comparison to the worst performer Italy with 17112 Thousand people. An important note is that this indicator is the sum of people who are at risk of poverty or social exclusion. In the end the target of EUROPE 2020 is that 20 million people should be helped out of this risk by promoting social inclusion.

To analyse the differences in the performance of the MS, the mean is used as an indicator of performance in the recent performance outcomes. That is to say, high performance is indicated by the numbers above the mean. Every number that is below the mean is characterizing low performance. Another crucial point in analysing the countries is the before mentioned fact of positive and negative indicators. It is still true for negative indicators, that a higher value represents worse performance. Consequently, for negative indicators the opposite way is used. To evaluate the performance, graphs for each of the eight indicators are produced via SPSS. As a next step the countries are categorized in low and high EUROPE 2020 performers. This step is important for the third research question since then the differences in performance are categorised as low and high in a matrix.

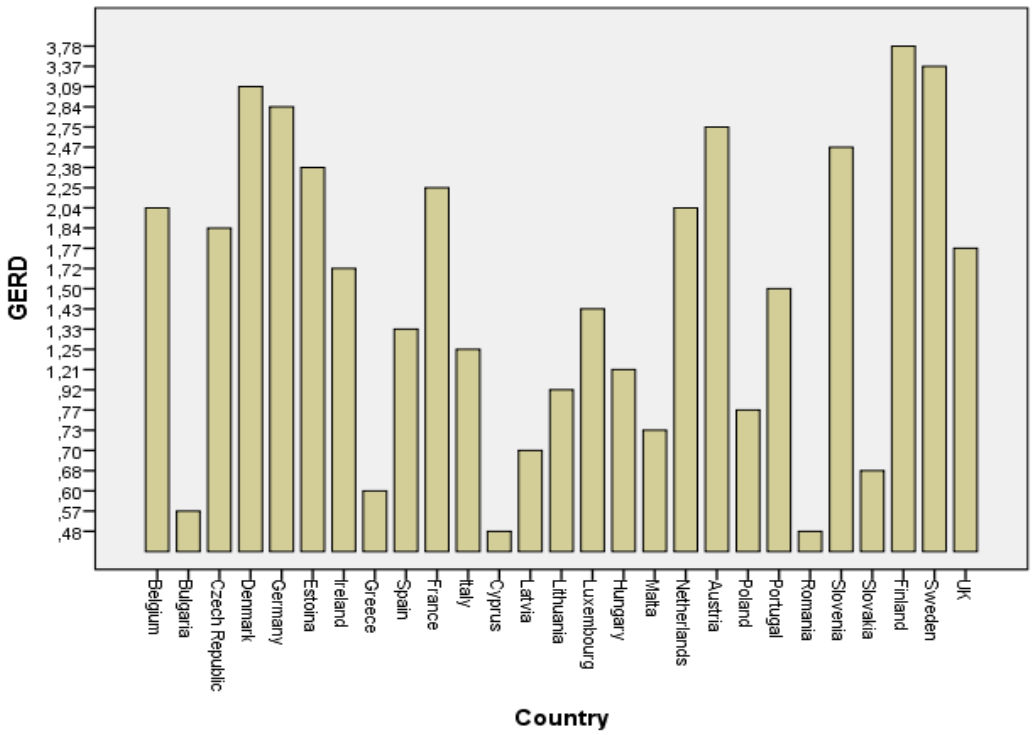
The first indicators, which are analysed, are the positive indicators of TEDU, GERD, RNEW and EMPC. For the TEDU-indicator the mean is 36.8778. This indicates for the low performers a number between 21.7 and 36.87778. As a result low performing MS are Bulgaria, Czech Republic, Germany, Greece, Italy, Hungary, Malta, Austria, Portugal, Romania, Slovakia and Estonia. Hence with an outcome of 36.8778 to 51.1 high performers for the TEDU indicator are Belgium, Denmark, Ireland, Spain, France, Cyprus, Latvia, Lithuania, Luxembourg, the Netherlands, Poland, Slovenia, Finland, Sweden and the UK. The following figure underlines the above described outcomes of the TEDU index.

Figure 1: TEDU by Country



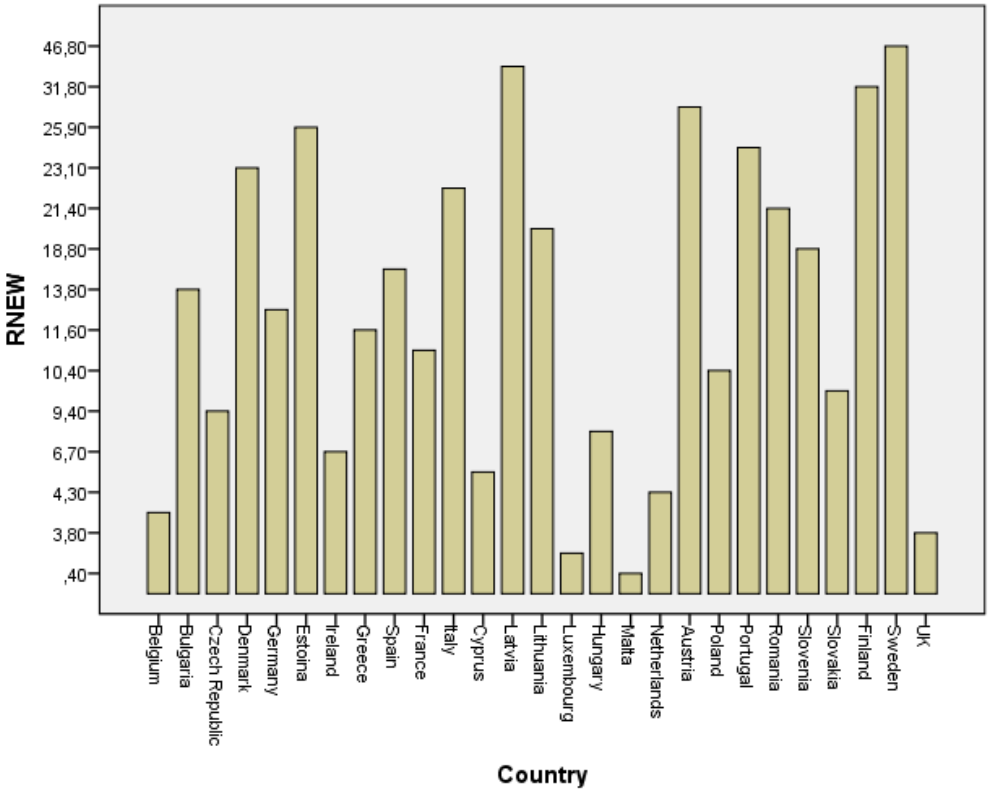
For the next indicator, GERD (mean = 1.6663), the following MS are categorized as low performers: Bulgaria, Greece, Spain, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, Poland, Portugal, Romania and Slovakia. With a number higher than the mean, high performers are Belgium, Czech Republic, Denmark, Germany, Estonia, Ireland, France, the Netherlands, Austria, Slovenia, Finland, Sweden and the UK. Again Figure 2 illustrates the different levels of achievement for the GERD index. Moreover it is obvious that the space between high performing and low performing countries is large. Especially the four worst performing countries of Cyprus, Romania, Bulgaria and Cyprus invest only between 0.48 percent and 0.6 percent of its GDP; in the end they will face huge problems achieving this target if they are not putting more effort into it.

Figure 2: GERD by Country



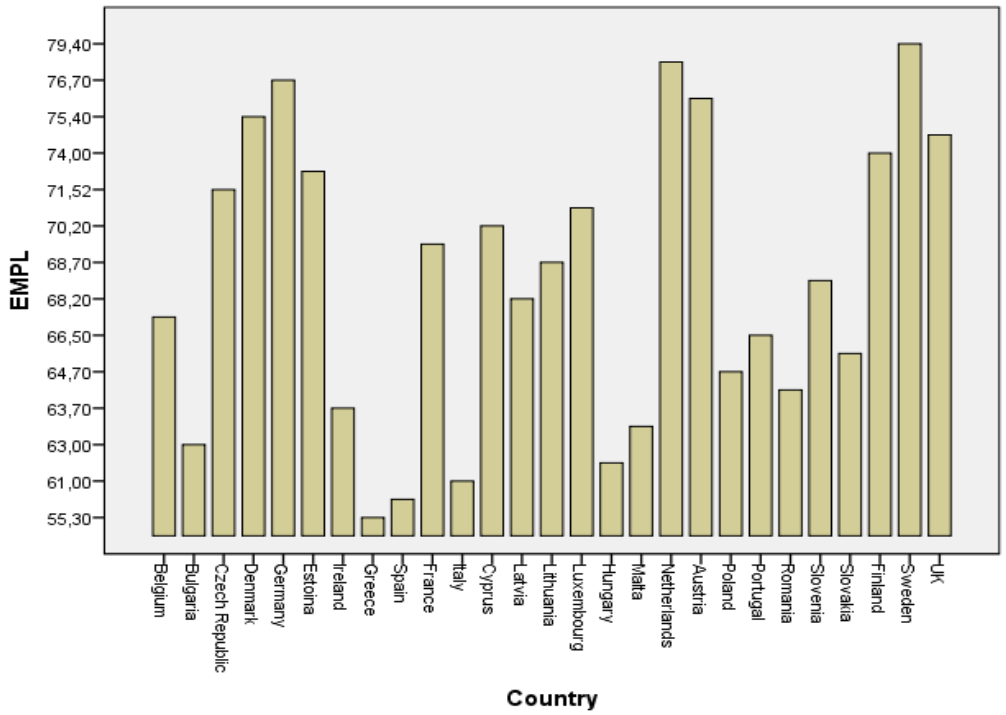
The third positive indicator is RNEW with a mean of 15.889. Next to the mean of the RNEW index the following figure helps to illustrate best and low performers as well as to demonstrate the different performance levels of the European Union MS.

Figure 3: RNEW by Country



It is to say that low performers are located between 0.4 and 15.889. This indicates that Belgium, Bulgaria, Czech Republic, Germany, Ireland, Greece, Spain, France, Cyprus, Luxembourg, Hungary, Malta, the Netherlands, Poland, Slovakia and the UK are found here. The figure clearly underlines the fact that more than the half of the MS are struggling to reach this target at the moment. It is a matter of fact that MS are still not see the urgency of using energy from renewables rather than conventional energies. This point is an explanation for the high number of countries which do poorly in this index. Consequently only eleven countries (Denmark, Estonia, Italy, Latvia, Lithuania, Austria, Portugal, Romania, Slovenia, Finland and Sweden) are found in the high performing section. The EMPL indicator with its mean of 68.4080 indicates that low performers are Belgium, Bulgaria, Ireland, Greece, Spain, Italy, Latvia, Hungary, Malta, Poland, Portugal, Romania Slovenia and Slovakia. Thus high performance is seen in the Czech Republic, Denmark, Germany, Estonia, France, Cyprus, Lithuania, Luxembourg, the Netherlands, Austria, Finland, Sweden and the UK (numbers up to 79.4).

Figure 4: EMPL by Country

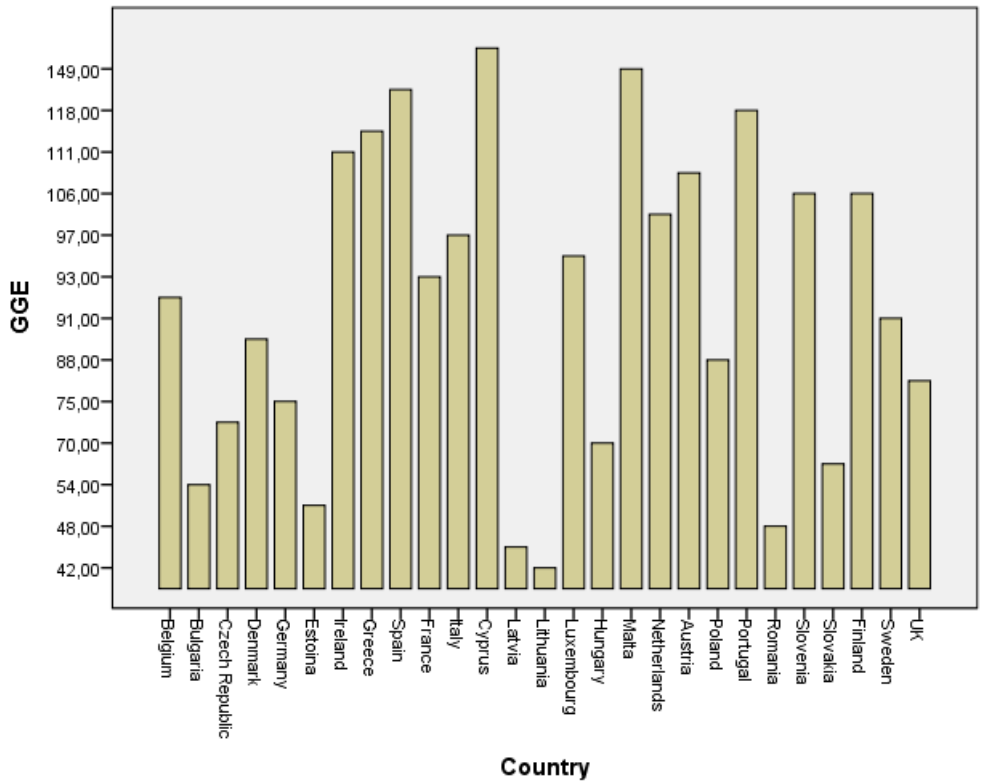


The conclusion which is drawn out of Figure 4 is that most of the MS are doing quite well in achieving the EMPL target. States like Denmark, Germany, the Netherlands, Austria and Sweden already have achieved the target. Of course there are also MS like Greece, Spain, Italy and Hungary which need to work on their employment rate. It is also true that Greece and Spain have been hit hard by the financial crisis, which explains the low number of the population employment between the 20 to 64 year olds.

The first negative indicator is GGE. This indicator has a mean of 90.5185. Moreover high performers are Bulgaria, Czech Republic, Denmark, Germany, Estonia, Latvia, Lithuania, Hungary, Romania, Slovakia and the UK. On the other hand low performers are Belgium,

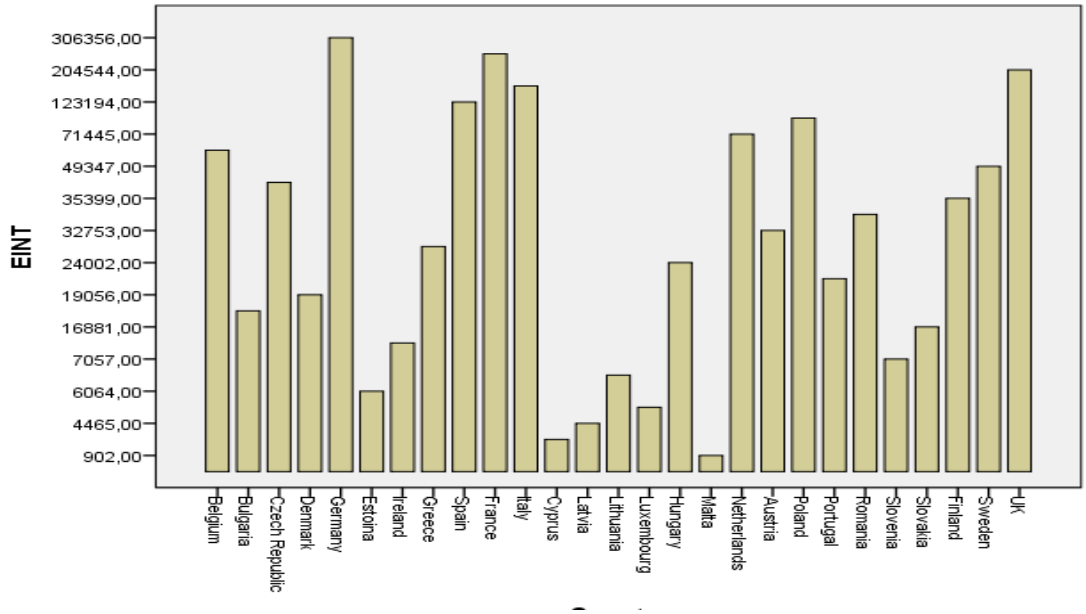
Ireland, Greece, Spain, France, Italy, Cyprus, Luxembourg, Malta, the Netherlands, Austria, Poland, Portugal Slovenia, Finland and Sweden. Having a closer look at the GGE figure one notices that there is a huge gap between the best performing country of Lithuania and the group of worst performing countries (Cyprus, Malta and Portugal). It is also crucial to notice that most of the states which are doing well are newer member states whereas most of the old member states are in the group of low performers.

Figure 5: GGE by Country



The next indicator is EINT. High performers for the EINT indicator (mean = 60994.1111) are Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Ireland, Greece, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, Austria, Portugal, Romania, Slovakia, Slovenia, Finland and Sweden (outcomes up to 49347). Low performers are categorized as Germany, Spain, France, Italy, the Netherlands, Poland and the UK. The following figure emphasizes that most of the high performers are rather small states. Moreover four out of the six founding members of the EU are showing worse outcomes. A reason why larger states seem to be low performers is that, for instance, Germany and the UK are more industrialized than, for example, Malta which has set its focus more on tourism.

Figure 6: EINT by Country



The next performance indicator is SCHO (mean = 11.3259) where high performers are the Czech Republic, Denmark, Germany, Estonia, Ireland, Latvia, Luxembourg, Lithuania, the Netherlands, Austria, Poland, Slovenia, Slovakia, Finland and Sweden. Hence low MS are Belgium, Bulgaria, Greece, Spain, France, Italy, Cyprus, Hungary, Malta, Portugal, Romania and the UK.

Figure 7: SCHO by Country

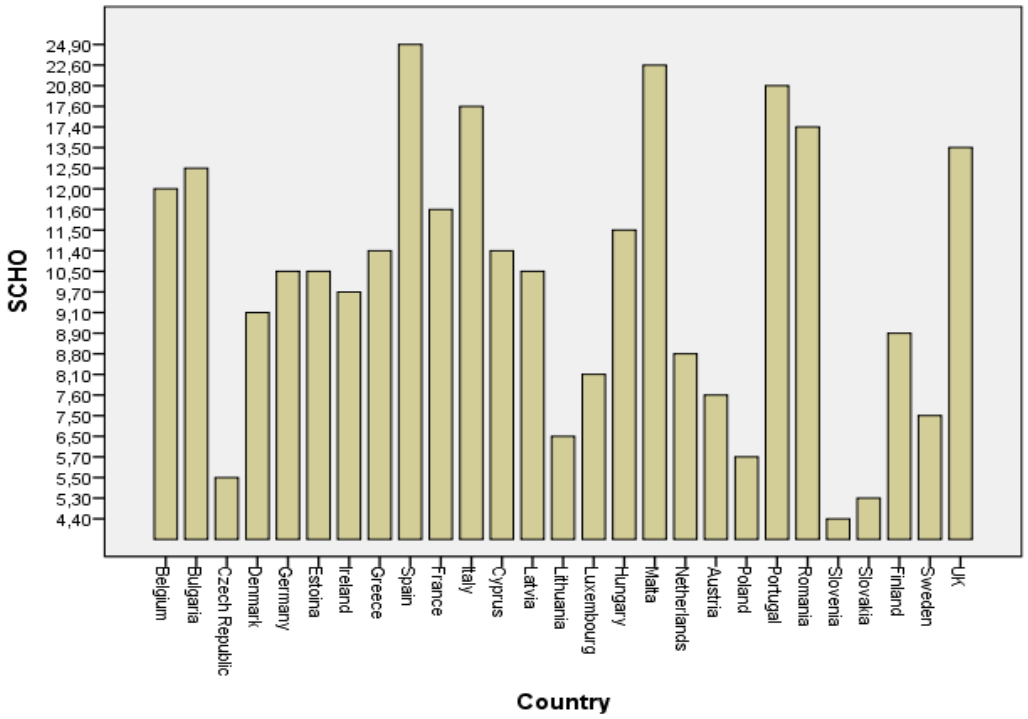
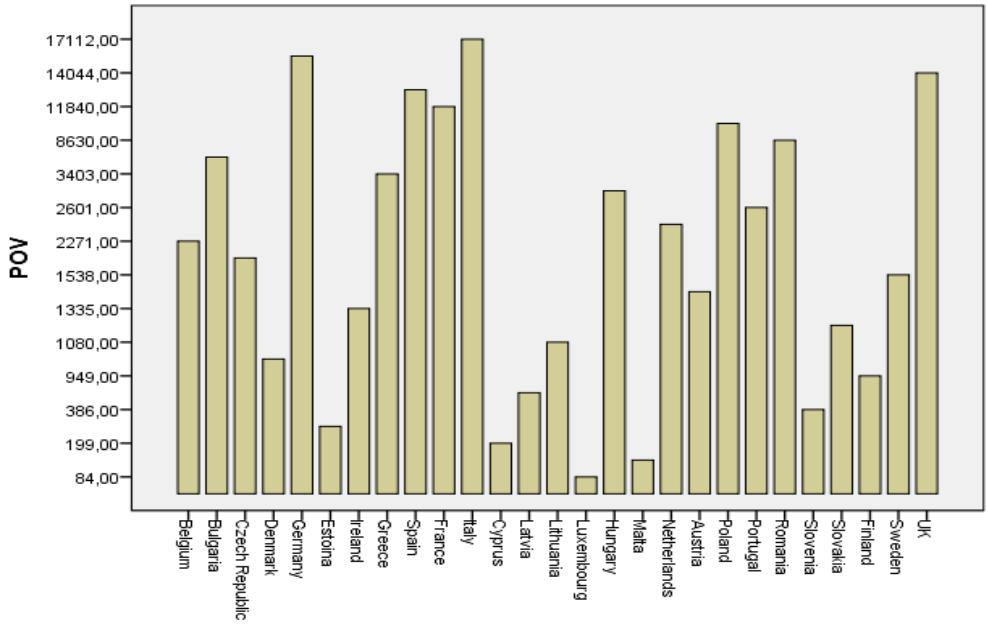


Figure 7 clearly indicates that MS which are categorized as having a high share of early school leavers are mostly southern countries. Noticeable is also that the so-called old members are doing quite badly; this includes for example Belgium, Spain, France and Italy.

The last indicator of POV with a mean of 4438.3333 demonstrates that high performing countries of Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Ireland, Greece, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, the Netherlands, Austria, Portugal, Slovenia, Slovakia, Finland and Sweden have results between the mean and the maximum number of 3403. Furthermore a weak performance is concluded in the countries of Germany, Spain, France, Italy, Poland, Romania and the UK. Figure 8 illustrates the performance of each MS on the poverty indicator. Here again, smaller states tend to have fewer problems with a high rate of poverty. Moreover it is surprising that the three weakest performers are Germany, Italy and the UK. That is to say that older members states cannot be seen as role models in achieving the targets, additionally newer member states are doing quite well.

Figure 8: POV by Country



The next step is to categorize the above mentioned performance results. That means that the MS can be categorized as high and low performers in the overall EUROPE 2020 strategy by counting how often a country can be found in which performance category of the eight indicators. Additionally to categorize the countries for high performance (H) two points are given and for low performance (L) one point is given to the MS. As a result the outcome lies between eight and 16. Then the countries can be categorized into high performers for countries scoring between 13 and 16 and low from eight to twelve points. Thus the following overview can be drawn out of the above-mentioned results. Additionally a two is representing high performance and, on the other hand, a one is indicating low performance in the columns.

Table 3: Overview of the performance indicators

Country	TEDU		GERD		RNEW		EMPL		GGE		EINT		SCHO		POV			Overall EU2020 Performanc
Belgium	43,9	2	2,04	2	4,1	1	67,2	1	92	1	53910	2	12	1	2271	2	12	LOW
Bulgaria	26,9	1	0,57	1	13,8	1	63	1	54	2	17388	2	12,5	1	3693	2	11	LOW
Czech Rep	25,6	1	1,84	2	9,4	1	71,52	2	71	2	42003	2	5,5	2	1598	2	14	HIGH
Denmark	43	2	3,09	2	23,1	2	75,4	2	89	2	19056	2	9,1	2	1039	2	16	HIGH
Germany	31,9	1	2,84	2	12,3	1	76,7	2	75	2	306356	1	10,5	2	16074	1	12	LOW
Estonia	39,1	1	2,38	2	25,9	2	72,1	2	50	2	6064	2	10,5	2	307	2	15	HIGH
Ireland	51,1	2	1,72	2	6,7	1	63,7	1	111	1	14835	2	9,7	2	1335	2	13	HIGH
Greece	30,9	1	0,6	1	11,6	1	55,3	1	113	1	27733	2	11,4	1	3403	2	10	LOW
Spain	40,1	2	1,33	1	15,1	1	59,3	1	126	1	123194	1	24,9	1	12371	1	9	LOW
France	43,6	2	2,25	2	11,5	1	69,3	2	93	1	256580	1	11,6	1	11840	1	11	LOW
Italy	21,7	1	1,25	1	22,5	2	61	1	97	1	165955	1	17,6	1	17112	1	9	LOW
Cyprus	49,9	2	0,48	1	5,4	1	70,2	2	168	1	2634	2	11,4	1	199	2	12	LOW
Latvia	37	2	0,7	1	33,1	2	68,2	1	45	2	4465	2	10,5	2	829	2	14	HIGH
Lithuania	48,7	2	0,92	1	20,3	2	68,7	2	42	2	6150	2	6,5	2	1080	2	15	HIGH
Luxembour	49,6	2	1,43	1	2,9	1	71,4	2	94	1	4641	2	8,1	2	84	2	13	HIGH
Hungary	29,9	1	1,21	1	8,1	1	62,1	1	70	2	24002	2	11,5	1	3051	2	11	LOW
Malta	22,4	1	0,73	1	0,4	1	63,1	1	149	1	902	2	22,6	1	88	2	10	LOW
Netherland	42,3	2	2,04	2	4,3	1	77,2	2	99	1	71445	1	8,8	2	2598	2	13	HIGH
Austria	26,3	1	2,75	2	30,9	2	75,6	2	108	1	32753	2	7,6	2	1407	2	14	HIGH
Poland	39,1	2	0,77	1	10,4	1	64,7	1	88	1	96929	1	5,7	2	10196	1	10	LOW
Portugal	27,2	1	1,5	1	24,9	2	66,5	1	118	1	22633	2	20,8	1	2601	2	11	LOW
Romania	21,8	1	0,48	1	21,4	2	63,8	1	48	2	33985	2	17,4	1	8630	1	11	LOW
Slovenia	39,2	2	2,47	2	18,8	2	68,3	1	106	1	7057	2	4,4	2	386	2	14	HIGH
Sovakia	23,7	1	0,68	1	9,7	1	65,1	1	64	2	16881	2	5,3	2	1112	2	12	LOW
Finland	45,8	2	3,78	2	31,8	2	74	2	106	1	35399	2	8,9	2	949	2	15	HIGH
Sweden	47,9	2	3,37	2	46,8	2	79,4	2	91	1	49347	2	7,5	2	1538	2	15	HIGH
UK	47,1	2	1,77	2	3,8	1	74,2	2	77	2	204544	1	13,5	1	14044	1	12	LOW

Overall, the highest performing country is Denmark with achieving the maximum score of 16 for the EUROPE 2020 categories. Additionally Estonia, Lithuania, Finland and Sweden are high performers with a result of 15 points in each case. On the contrary, the worst performing countries are Spain and Italy with only nine points.

This chapter has outlined the differences in the performance of the MS by categorizing each state into high and low performers. Therefore twelve countries are high performers and 15 countries are low performers. This step is useful for answering the third research question since the different performances are important. The following chapter provides the next step in answering the main research question by demonstrating the characteristics of the administrative setup of the 27 EU-countries.

5.2 Administrative setup and Member States

In this second sub-chapter the following research question is answered "*What are the main characteristics of the administrative set-ups of the member states"* As already outlined, the variable "administrative setup" does consist firstly of the political government of the MS. Here is to notice that only two characteristics of the political government are taken into account. These are either federal states or unitary states. Additionally, there are MS which consist of a different form of government, namely federate or devolved. These are Denmark, Finland, France, Italy, the Netherlands, Spain and the United Kingdom. Moreover these MS are categorized as unitary in the actual analysis. This is the case, because for example in Italy and Finland, more power is concentrated in the national governments than in regional governments which hold nearly no legislative power. Spain is a special case since various literatures categorizes the country as federal and others as unitary. For this Thesis Spain is considered as unitary, because according to Lijphard (1999) Spain can be more characterized

as unitary as it only grants some authority to the Basque region but all other aspects of a federation have not been met. Secondly, the number of NUTS-2 regions in relation to the number of inhabitants does play a role. Thirdly with the public expenditure on regions it is outlined how important the regions in the administrative setup are. Here it is crucial to notice that in EU-countries only Belgium, Germany, Austria and Spain distinguish between public expenditure for the state level (regional level) and central government (Eurostat, 2011). This implies that those countries grant higher importance to the regions.

The following table is used to outline the main characteristics of the administrative setup of each MS. It is highly noticeable that from the 27 MS only three countries can be characterized as purely federal. The other 24 MS are characterized as unitary. Countries whose political government is located in-between federal and unitary, so called federate government and devolved government, are characterized as unitary for the above-mentioned reasons.

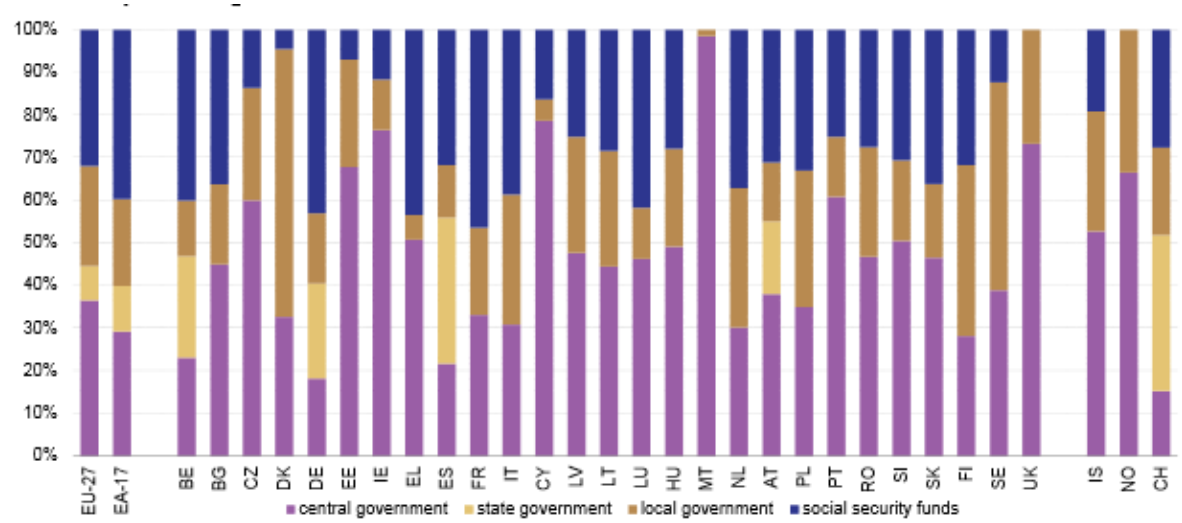
Table 4: Main characteristics of the administrative setup of EU-27

Country	Political Government	NUTS-2 regions according to inhabitants	Public expenditure on regions (in proportion of general government total expenditure)
Austria	Federal	1.08	0.164
Belgium	Federal	1.03	0.233
Bulgaria	Unitary	0.79	0.0
Cyprus	Unitary	1.25	0.0
Czech Republic	Unitary	0.76	0.0
Denmark	Unitary	0.91	0.0
Estonia	Unitary	0.77	0.0
Finland	Unitary	0.94	0.0
France	Unitary	0.4	0.0
Germany	Federal	0.48	0.225
Greece	Unitary	1.16	0.0
Hungary	Unitary	0.7	0.0
Ireland	Unitary	0.44	0.0
Italy	Unitary	0.35	0.0
Latvia	Unitary	0.43	0.0
Lithuania	Unitary	0.3	0.0
Luxembourg	Unitary	2	0.0
Malta	Unitary	2.5	0.0
Netherlands	Unitary	0.73	0.0
Poland	Unitary	0.42	0.0
Portugal	Unitary	0.66	0.0
Romania	Unitary	0.38	0.0
Slovakia	Unitary	0.74	0.0
Slovenia	Unitary	1	0.0
Spain	Unitary	0.41	0.302
Sweden	Unitary	0.87	0.0
UK	Unitary	0.6	0.0

(source Public expenditure on regions: Eurostat, 2011)

From Table 4 it becomes obvious that only four EU-countries take into account the region while distributing the public expenditure. One can see that there is only one unitary country, namely Spain, which is sharing public expenditure to the regions. More noticeable is that Spain also shares the highest degree of money to the regions. The other countries are the three European federal countries with Belgium spending the most money on regional level expenditure. So from this one can conclude that for federal countries the regions are more important than for unitary countries. Also one has to acknowledge that this is no major finding since it is outlined in the Theory part that unitary countries pay more attention to the local level than to the regional level and federal countries grant the regions more authority. Figure 9 emphasizes the fact that only that only four MS take the regional level into account.

Figure 9: Consolidated total expenditure by sub-sector in consolidated general government expenditure



(source: Eurostat, 2011)

For the number of NUTS-2 regions in comparison with the overall country inhabitants one can firstly say that a higher number represents higher importance to the regions. Resulting from this is that the number of NUTS-2 regions in relation to inhabitants is divided into three parts consisting of high relevance, medium relevance and, lastly, low relevance. In addition the maximum score is 2.5 and the minimum score is 0.3. One notices that Malta, Luxembourg, Cyprus, Greece, Austria, Belgium, Slovenia, Finland and Denmark, according to this calculation, grant the regions high relevance. Furthermore it is to say that two out of the three federal countries, which according to the characteristics of a federation pay more attention to the regions, are in the group for high relevance. It is also a matter of fact that the good scores of Malta, Cyprus and Greece can be an outcome of the small size of the country, and as it has been outlined in the Theory part, that this outcome is based on the fact that small countries have a more homogenous group of inhabitants rather than a heterogeneous group. In the end this makes it easier for the government to deal with the EUROPE 2020 strategy. The middle group involves Sweden, Bulgaria, Estonia, Czech Republic, Slovakia, the Netherlands, Hungary, Portugal and the UK. One of the most interesting findings is that Germany, a federal state, is part of the group that only pays low relevance to regions. The other group members are Ireland, Latvia, Poland, Spain, France, Romania, Italy and Lithuania.

To analyse the administrative setup it is firstly important to gain knowledge about the administrative setup in form of the significance of the regions. Therefore, as in the first subchapter, points are given to each MS in form on how much importance their grant to the regions. Furthermore this implies that for unitary states one point is given, for federal states two since they give the regions more authority according to their definition. Then the importance of the NUTS-2 regions according to the country inhabitants is assessed. As it has been outlined in the paragraph above which country belongs to which importance group, three points are granted to high importance members, two to the medium group and one is considered for those countries which give them low importance. Lastly, for the share of public expenditure one point is given to those countries, which consider the regions respectively in the share public expenditure. In the end this calculation would have six points as a maximum and two points as a minimum. As a second step the countries are divided into high relevance (four to six points) and low relevance (two and three points). Hence the results are the following.[10] In the high relevance countries one can find countries such as Austria, Belgium, Cyprus, Denmark, Finland, Germany, Greece, Luxembourg, Malta and Slovenia. On the contrary, in the low relevance group, are Bulgaria, Czech Republic, Estonia, France, Hungary, Ireland, Italy, Latvia, Lithuania, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the UK.

The results outlined above are important knowledge for presenting the results in the next chapter. That is to say, the results from the two research question, which have been presented in this chapter and the former chapter, are going to explain the significance of the regions in the EUROPE 2020 strategy.

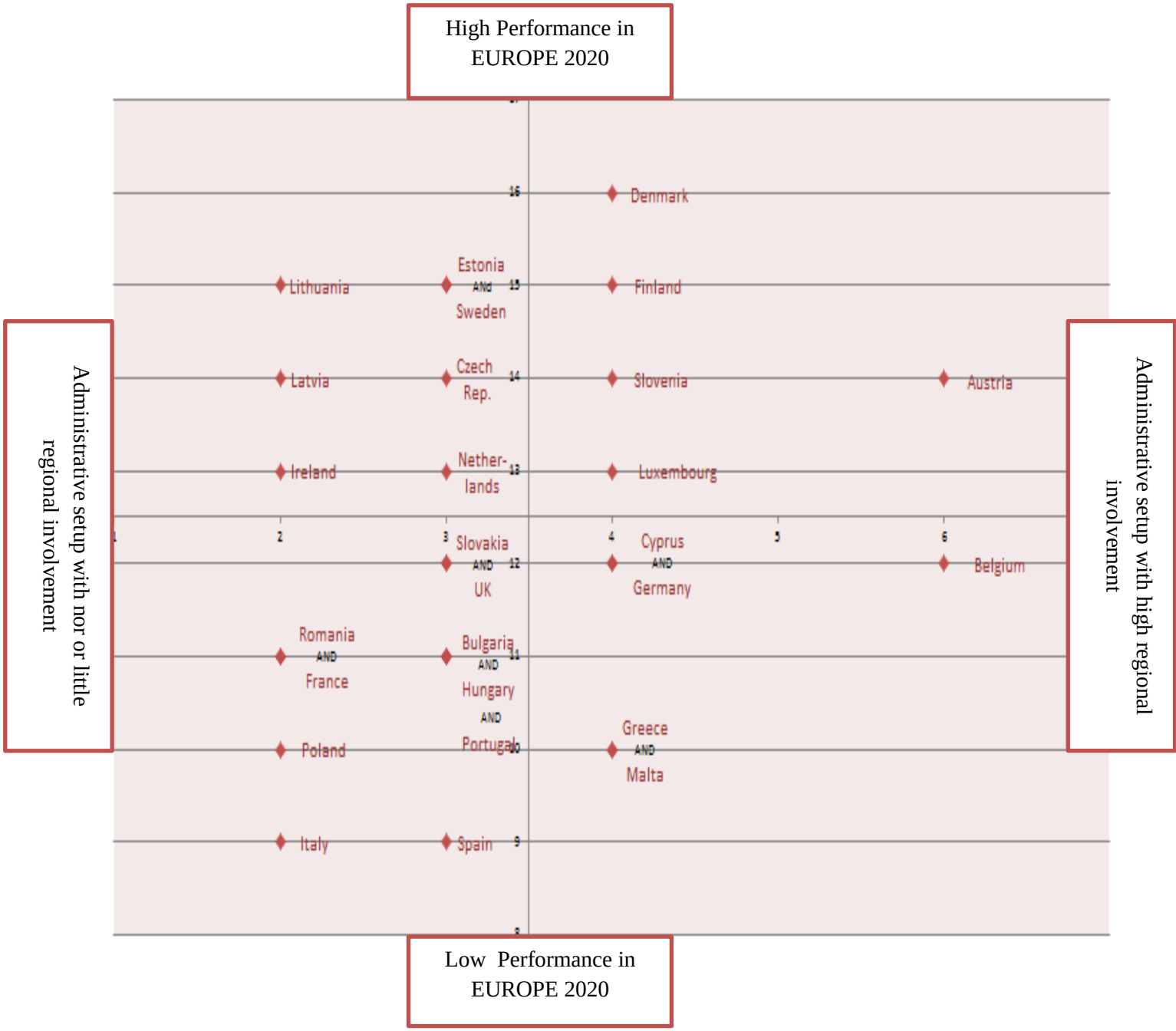
5.3 Role of the regions on the EUROPE 2020 performance and the Role of Regions Hypothesis

This third sub-chapter is about the question "*Which effects does the role of the regions in the administrative set-up have on the difference in performance of the member states?"* Moreover the goal of this chapter is firstly to create a matrix, which indicates the degree of performance on the administrative setup. Moreover the last two sub-chapters have been of help as it has been crucial to know in which quadrant of the matrix each MS has to be placed.

The following matrix puts each MS in their quadrant where it belongs in. In other words high and low performing countries are divided according to either administrative setup with regional involvement or to administrative setup with no or little regional involvement. Additionally the matrix includes on the y-axis the points which are granted for the EUROPE 2020 performance with a minimum of nine and the maximum of 16. The x-axis is composing of the points for the administrative setup. In this case low regional involvement in the administrative setup is represented by an outcome between two and three and, hence, high involvement by four to six. To say it shortly, the higher a country scores the better is the EUROPE 2020 performance and the nearer a MS is to the right side of the matrix the better is the regional involvement.

[10] For the calculation see the appendix.

Figure 10: Performance by Administrative setup matrix



Resulting from this matrix is that only five countries can be categorized as high performing countries in relation to an administrative setup with high regional involvement. These are Denmark, Finland, Luxembourg, Slovenia and Austria. Again one has to notice that the outcome is only based on how the administrative setup and thus the regional involvement have been defined in this Thesis. In other words the administrative setup is based on the political government, number of NUTS-2 regions in relation to inhabitants and if a country considers the share of public expenditure on regions. An interesting finding is that Austria is the only federal state which shows high performance, although federal states are assumed to show the better accomplishment of goals since regional authority already exists. The cases of

Finland and Denmark in this group are also special. That is the case, because Finland and Denmark have both been characterized as unitary for this Thesis, but they can also be described as federate, which means showing both aspects of a unitary- and federal state. Consequently, the good achievements of the two countries should be no surprise in this study. The other two purely federal states, Belgium and Germany, show a rather weak outcome in the EUROPE 2020 strategy, but both have scored twelve points in the performance measurement of the strategy and thus have nearly missed the high performing section. Another crucial point is that only three countries, which are considered as possessing an administrative setup with high regional significance, are low performers in the EUROPE 2020 strategy. One has to admit that the categorization into an administrative setup with high regional involvement can be due to the small size of the three countries. On the other side, high performers with no or little regional involvement are the Czech Republic, Estonia, Ireland, Latvia, Lithuania, the Netherlands and Sweden. A surprising outcome that can be drawn out of this quadrant of the matrix is the placement of the Netherlands. As it is the case with Denmark and Finland, the Netherlands are not a purely unitary state. Moreover they can also be defined as a federate state. The interesting finding here is that although the Netherlands pay attention to the regions, in this Thesis, the outcome is that they do not consider that the regions have high significance. Finally EUROPE 2020 low performers with no regional significance are the following countries: the UK, Slovakia, Romania, Portugal, Poland, Hungary, Bulgaria, France, Italy and Spain. For Italy and Spain it is also noticeable that the political government of both MS can also be defined as devolved (granting powers from the central government to the regional or local level). Furthermore literature defines Spain often as a federal state, but according to this Thesis it is defined as a unitary state and surprises with the result that it does not pay that much attention to the regions. For Italy this category is justifiable as it gives more devotion to the local than the regional level, which is at the same time the reason why the UK is also placed in this category. All in all one can see that the Nordic countries are still the best performers in EUROPE 2020 with all of them showing high performance as it has been outlined in the existing literature. Also one has to acknowledge that smaller MS, especially those in the east, are doing better than larger ones and finally nearly all Southern countries are struggling to reach the targets which also involves older member states like France, Spain and Italy.

From this facts can be concluded that the regional involvement in the administrative setup does not have great effects on the accomplishment of the EUROPE 2020 targets. This is the case since more high performers are demonstrating no or few regional significance and that two (Belgium and Germany) out of three purely federal countries cannot be considered as high performers, although high performance has been expected particularly from these decentralized MS. In this case the only country which could cope with these expectations is Austria. To come back to the example of Sweden, this MS could also defend its former position of a high performing country with an administrative setup consisting of no or little regional involvement. But one has also to agree on the fact that, according to this measurement, Denmark with high regional involvement has overtaken the best performing position of Sweden.

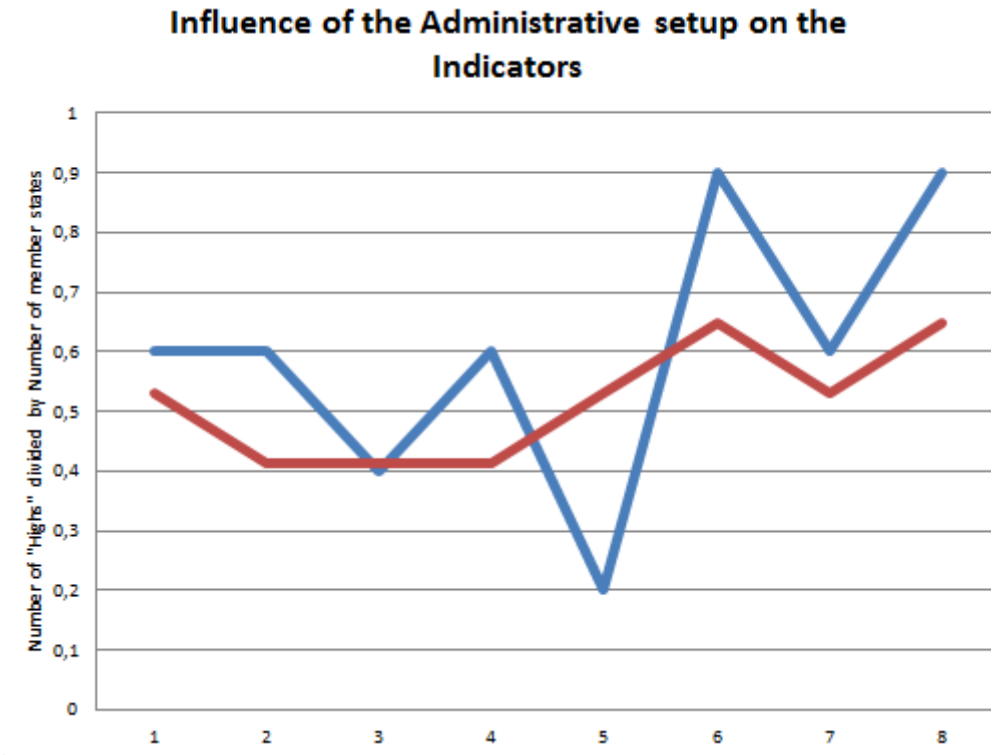
Therefore the results lead to the fact that the hypothesis stating,

"H_1: Member States in which regions are important in the administrative set-up are more likely to show high performance in accomplishing the goals of the EUROPE2020 strategy",

can be rejected. In other words, the role of the regions in the administrative setup is not responsible for the accomplishment of the targets set out in the EUROPE 2020 strategy.

Although it has to be outlined that performance indicators like GGE or POV of the EUROPE 2020 strategy can be affected by the administrative setup. This is demonstrated in the figure below. The blue line represents the ten MS with a high involvement of the regions and the red line illustrates the countries with low involvement of regions. The numbers on the x-axis are the eight performance indicators[11] of the EUROPE 2020 strategy. In addition the y-axis represents those MS which have scored a "High" in the performance indicators, which is then divided by the number of countries in the category[12]. This is done to get the average score of the dependent variable for countries with high- and low regional involvement. This means for the blue line ten countries and for the red line 17 MS.

Figure 11: Influence of the Administrative setup on the Performance Indicators



From this figure it becomes clear that the red- and the blue line are close by each other, except for the fifth indicator (GGE) where countries with less regional involvement have better outcomes. A reason for this can be that in those states the policies regarding the amount of emission comes directly from the central government whereas in states with high regional involvement the regional governments can decide by themselves on the degree of emissions. Another result is that for the EINT- and POV indicator, an administrative setup with high regional involvement is better in reaching the goals. It may be the case that this effect is due

[11] 1: TEDU; 2: GERD; 3: RNEW; 4: EMPL; 5: GGE; 6: EINT; 7: SCHO; 8: POV.
[12] For the calculation see the appendix.

to the fact that in the category with high regional involvement in the administrative setup seven countries (Denmark, Finland, Luxembourg, Slovenia, Cyprus, Greece and Malta) in comparison to Austria, Belgium and Germany are rather smaller countries. Of course those countries have a less energy intensive economy and less people who suffer from poverty.

6.0 Conclusion

This final chapter provides the answer to the research question and the conclusions that can be drawn out of how the role of the regions explains the performance of MS in the EUROPE 2020 strategy. This implies that the results are discussed and assessed. To end the Thesis, on the one hand, limitations to this study are presented and, on the other, suggestions for further research are outlined.

6.1 Conclusions

The purpose of this study has been to explain the performance of MS in accomplishing the EUROPE 2020 targets by the administrative setup. Therefore the main research question has been formulated as *"Which role of the regions in the administrative set-up contributes to high performance of member states in the EUROPE 2020 strategy?"*

The literature has identified theories which have been useful for this Thesis. Firstly, this has been the regionalization process. This means that the EU favours regionalization and at the same time promotes it. The goal is still to create a Europe of the regions. To achieve this aim there is a long way to come since especially unitary states show less regional involvement as the central government does not want to lose any of its power. The theory of regionalization focuses more on the regions, resulting in the fact that those should gain more power. A second theory has been the concept of public expenditure on the regions. It is a matter of fact that the share of public expenditure on sub-national government is defined by the political government, but also due to the regionalization process it has become more important. One can assume from this that those MS, which spend more money on sub-national government, grant the regions higher significance. A third fact has been the regional diversity. Obviously every region has different needs, which are known best by the regional governments. One can say that the performance on EUROPE 2020 is driven by the region itself and is therefore the most important part of the country. Finally, literature has provided some insight on the EUROPE 2020 goals and the NRP. It has been made clear that the NRP are highly useful for the regions in accomplishing the goals since the NRP are used to determine problems. All in all one can say that the role of the regions is highly underlined in the strategy. Based on this the following hypothesis has been formulated:

H_1: Member States in which regions are important in the administrative set-up are more likely to show high performance in accomplishing the goals of the EUROPE 2020 strategy.

To test this hypothesis, the eight indicators for the performance of the EUROPE 2020 strategy have been used. That is to say, the mean for every indicator has been calculated and then MS

could be divided into high-, and low performers. Secondly, the role of the regions has been assessed by the form of political government, the number of NUTS-2 regions in relation to the population size and if the central governments shares public expenditure on the regions. These variables have also been compiled into the index of the administrative setup. In other words, now the relevance of the regions could be measured with the administrative setup. Both the dependent variable, performance, and the independent variable, administrative setup, rely on data provided by EUROSTAT.

Results of this study have been that from the observed 27 countries, only ten countries with high involvement of regions in the administrative setup can be identified. Additionally only the half of them can be recognized as high EUROPE 2020 performers with only one purely federal state (Austria) in the group. On the other side, 17 countries show no or little regional involvement in the administrative setup. Moreover seven countries are high performers and ten are low performers.

On the basis of theses outcomes the hypothesis has been rejected. Moreover there is no assumption that the accomplishment of EUROPE 2020 goals is correlated to the significance of the regions in the administrative setup.

Coming to answer the main research question *"Which role of the regions in the administrative set-up contributes to high performance of member states in the EUROPE 2020 strategy?"* it is concluded that the role of the regions in the administrative setup has nearly no role in accomplishing the EUROPE 2020 targets. Therefore it seems not important for the administrative setup of a country which kind of political government, the number of NUTS-2 regions and if the national government shares public expenditure to the regions. Moreover the mean of high performing MS which possess an administrative setup with no or few regional involvement demonstrate a mean of 14.14 in comparison to a mean which equals 14.4 for the group of high performers with high regional involvement in the administrative setup. Although the latter group shows a slightly higher mean, it cannot be concluded that the performance is explained by the role of the region in the administrative setup. A possible reason for this is that most of the high performing and high regional involvement states are relatively small with a relatively homogenous group if inhabitants. Moreover there is a high possibility that only because of the above-mentioned reason the MS could be identified as granting high importance to the regions. Of course these findings are only based on the three indicators of the independent variable which are outlined through the Thesis. It is a matter of fact that indicators different from these three could be responsible for the significance of the role of the regions in the administrative setup.

6.2 Discussion

This Thesis has focused upon a research topic that is not much explored yet. In other words, the Thesis tried to answer the fact that the EUROPE 2020 strategy implies that the regions of the EU member states are the most important part in implementing and achieving the targets

of smart, sustainable and inclusive growth. Moreover the regions are those which are responsible for these targets and should serve as the main initiator of the EUROPE 2020 strategy. It is a matter of fact, that this role of the regions has not been outlined enough by the existing literature.

Therefore these outcomes should be used as an incentive for the EU to re-consider the importance which the EUROPE 2020 strategy grants to the regions. It is not the region itself or the already existing communication ways between the regional- and national governments which make it easier to implement or accomplishing the goals. It may be the case that establishing a central strategy for the whole MS and not just for the particular region would create results in which more than eleven countries achieve a high performance in the EUROPE 2020 strategy. This fact has also been underlined in the theory part by Kettunen and Kungla (2005), meaning that the EU has to find different strategies for states with different forms of, for instance, political governments and not only a strategy which focuses on the regions. Another fact is that most of the countries which are identified as possessing an administrative setup with high regional involvement are rather small states. This outcome can be based on the measurement of the administrative setup. Consequently, a different measurement of the administrative setup has to be developed. Furthermore, the outcome which is the most interesting is that the first step of the EU should give an incentive for its member to accomplish the goals faster, resulting in more high performance countries, whether paying attention to the regions or not. Although the achievement would be higher if regions know they are considered as important. This would mean that the next step the EU has to consider how the regions can be provided with more significance by the national governments. Without such an incentive the best developed strategy for regions does not fulfil its purpose. This is also exactly the fact which has been discussed in the theory part. The EU has to put more emphasis in the recognition of regions, especially in those states which can be characterized as low performers with no or little regional involvement in the administrative setup according to this Thesis.

6.3 Limitations of this study and suggestions for further research

As discussed in the Methodology section and outlined through the whole Thesis, this cross-sectional study involves a high validity problem on ambiguity. Meaning that the "Administrative setup" variable is multivariate and, thus, the performance of the countries is caused by other factors than those that are outlined in the operationalization of the variable. Additionally as those indicators have been compiled into one index, the outcomes can be fake. On the other side, this assessment has been useful to provide an insight into the role of the regions on the performance which is missing in the literature until now. Having only a small size of N=27 means that, from the perspective of statistical significance, only three categories can be created for the administrative setup variable.

Moreover the goal of this Thesis has been to explain the performance by the administrative setup of the country, but as only country data has been used for measurement the differences in the regional level have been taken away by the overall calculation of the country data.

Another limitation of this study is that only two divisions of the political government have been created. It is a matter of fact that some MS are not easily to classify into the "unitary" or "federal" component. Therefore these states had to be classified in either unitary or federal. This step has been necessary to divide the points equally on these categories.

Furthermore the data on sub-national public expenditure does also present a limitation to this study, which is the case since not all countries share public expenditure on the regional level. On the other hand to include the public expenditure in the Thesis is based on the decision that the importance of the regional- and not the local level should be outlined.

Next to results that have been found in this study it leaves, of course, room for further research. It is firstly to note that the operationalization of the independent variable "Administrative setup" has been restricted to only three indicators. It is a matter of fact that there is a chance that not the three indicators are responsible for the significance of regions in a certain country.
Consequently this study has to be reproduced with different indicators to demonstrate if these indicators actually have an importance and to assess if the findings of this study are the same with different indicators. Further research could also be done by comparing regional data and not the country data as it has been done in this study. Comparing regional data will have the advantage that the role of the regions in the EUROPE 2020 strategy could further be evaluated and may produce a different outcome in relation to this study, namely that the regions do play a role in the administrative setup in accomplishing EUROPE 2020.
Finally more studies should measure the overall performance in the strategy of each MS. This is the case since by 2020 Europe wants to become the smart, sustainable and inclusive Europe which has been outlined in the strategy. Of course there are the NRPs, which assess the progress of the MS, but as this study has shown MS are putting too little effort in accomplishing the goals. Hence, the EU is going to run into the same problems as with the Lisbon Strategy. A failing of the successor of the Lisbon Strategy would result in a decreasing trust level in the EU. As a result every MS of the EU should try to reach the goals as fast as possible to provide Europe not only with growth but also with inhabitants who are supporters of the EU.

To end the Thesis it is essential to underline that the work has made scientific progress in the fact that providing an implementation- and accomplishing of goals strategy for every region in a country, is not necessary. It is more the case that the EU should more focus that the MS, which lack behind, especially Italy and Spain. These MS have to put more effort into the EUROPE 2020 strategy. This also implies that the EU has to re-assess the importance of the regions in this strategy or, the other way round, has to put more effort in the fact that the regions are seen as highly important by all MS. This is the case as the regions will only reach higher outcomes if there are considered as highly crucial and are provided with authority by

the nation state rather than by the EU. To conclude, no statistical significance could be found in demonstrating that the performance of MS can be explained by the regional significance in the administrative setup. Thus regional importance in the administrative setup is not the most crucial part in EUROPE 2020.

Appendix

Table 5 and 6 are used to explain the main administrative setup characteristics for the second sub question under 5.2. It is further to notice that the importance of the region is calculated by dividing the number of NUTS-2 regions by the overall inhabitants of the specific MS.

Table 5: Characteristics of Political Government and Administration of EU countries

Country	Political government	Administrative organization
Austria	Federal	9 autonomous Federal *Länder*
Belgium	Federal	6 entities (3 regions and 3 communities)
Bulgaria	Unitary	264 municipalities and 28 provinces
Cyprus	Unitary	6 districts
Czech Republic	Unitary	14 regions and 6240 municipalities
Denmark	Federate[13] → Unitary	-
Estonia	Unitary	15 counties
Finland	Federate → Unitary	Regional level: 5 provinces and the autonomous Aland Island; local level: 415 municipalities
France	Federate → Unitary	96 departments and 36000 communes
Germany	Federal	16 *Länder* (principle of subsidiary)
Greece	Unitary	52 departments and 13 regions
Hungary	Unitary	19 departments
Ireland	Unitary	5 City Councils and 8 Borough and Town Councils
Italy	Unitary/ Devolved[14] → Unitary	20 regions and 110 provinces
Latvia	Unitary	26 regions and 524 local municipalities
Lithuania	Unitary	10 higher administrative units (counties) and 60 local self-government entities
Luxembourg	Unitary	3 districts and 116 municipalities
Malta	Unitary	3 regions and 68 municipalities
Netherlands	Federate[3] → Unitary	12 provinces and 467 municipalities
Poland	Unitary	16 regions and 379 counties
Portugal	Unitary	Self-governing system of islands, principle of subsidiarity, autonomy of local authorities and democratic decentralization
Romania	Unitary	41 counties

[13] Federate means showing features of a federation and a unitary state.
[14] Italy has a unitary government, but the constitution recognizes the principles of territorial autonomy and devolution.

Slovakia	Unitary	79 districts and 8 regions
Slovenia	Unitary	State competent in all matters; municipalities competent in local matters
Spain	Unitary/ Devolved[15] → Unitary	-
Sweden	Unitary	20 County councils and 290 municipalities
United Kingdom	Federate/ Devolved ➔ Unirary	Regional level: varying levels of competence

Table 6: Number of regions and total population in EU-27

Country	NUTS (2006) level			Total Population in million	Importance of the region in relation to population size (NUTS-2)
	1	2	3		
EU-27	97	271	1303	499,2	
Austria	3	9	35	8.3	1.08
Belgium	3	11	44	10.7	1.03
Bulgaria	2	6	28	7.6	0.79
Cyprus	1	1	1	0.8	1.25
Czech Republic	1	8	14	10.5	0.76
Denmark	1	5	11	5.5	0.91
Estonia	1	1	5	1.3	0.77
Finland	2	5	20	5.3	0.94
France	9	26	100	64.3	0.4
Germany	16	39	429	82	0.48
Greece	4	13	51	11.2	1.16
Hungary	3	7	20	10	0.7
Ireland	1	2	8	4.5	0.44
Italy	5	21	107	60	0.35
Latvia	1	1	6	2.3	0.43
Lithuania	1	1	10	3.3	0.3
Luxembourg	1	1	1	0.5	2
Malta	1	1	2	0.4	2.5
Netherlands	4	12	40	16.4	0.73
Poland	6	16	66	38.1	0.42
Portugal	3	7	30	10.6	0.66
Romania	4	8	42	21.5	0.38
Slovakia	1	4	8	5.4	0.74
Slovenia	1	2	12	2	1
Spain	7	19	59	45.8	0.41
Sweden	3	8	21	9.2	0.87
United Kingdom	12	37	133	61.7	0.6

(source: Eurostat, 2009; European Union, 2007)

The following table has been used as a calculation for the administrative setup and thus for the significance of the regions.

[15] Spain has a unitary government, but the constitution recognizes the principles of territorial autonomy and devolution.

Table 7: Calculation of the administrative setup index

Country	Points Political Government	Points NUTS-2 regions according to inhabitants	Points share of public expenditure on regions	Relevance
Austria	2	3	1	6 → High
Belgium	2	3	1	6 → High
Bulgaria	1	2	0	3 → Low
Cyprus	1	3	0	4 → High
Czech Republic	1	2	0	3 → Low
Denmark	1	3	0	4 → High
Estonia	1	2	0	3 → Low
Finland	1	3	0	4 → High
France	1	1	0	2 → Low
Germany	2	1	1	4 → High
Greece	1	3	0	4 → High
Hungary	1	2	0	3 → High
Ireland	1	1	0	2 → Low
Italy	1	1	0	2 → Low
Latvia	1	1	0	2→ Low
Lithuania	1	1	0	2 → Low
Luxembourg	1	3	0	4 → High
Malta	1	3	0	4 → High
Netherlands	1	2	0	3 → Low
Poland	1	1	0	2 → Low
Portugal	1	2	0	3 → Low
Romania	1	1	0	2 → Low
Slovakia	1	2	0	3 → Low
Slovenia	1	3	0	4 → High
Spain	1	1	1	3 → Low
Sweden	1	2	0	3 → Low
UK	1	2	0	3 → Low

As the Thesis has shown that there is no relationship between the overall performance of EUROPE 2020 and the degree of regional involvement in the administrative setup, the next table has been used to see if the administrative setup has an influence on each of the eight indicators.

Table 8: Calculation of the Relationship between the Administrative Setup and Performance Indicator

	Country	TEDU	GERD	RNEW	EMPL	GGE	EINT	SCHO	POV
High involvement of regions	Austria	Low	High	High	High	Low	High	High	High
	Denmark	High	High	High	High	High	High	High	High
	Finland	High	High	High	High	Low	High	High	High
	Luxembour	High	Low	Low	High	Low	High	High	High
	Slovenia	High	High	High	Low	Low	High	High	High
	Belgium	High	High	Low	Low	Low	High	Low	High
	Cyprus	High	Low	Low	High	Low	High	Low	High
	Germany	Low	High	Low	High	High	Low	High	Low
	Greece	Low	Low	Low	Low	Low	High	Low	High
	Malta	Low	Low	Low	Low	Low	High	Low	High
Number of "High" HIS		10	0,6	0,6	0,4	0,6	0,2	0,9	0,6	0,9
Low involvement of regions	Czech Rep	Low	High	Low	High	High	High	High	High
	Estonia	Low	High	High	High	High	High	High	High
	Ireland	High	High	Low	Low	Low	High	High	High
	Latvia	High	Low	High	Low	High	High	High	High
	Lithuania	High	Low	High	High	High	High	High	High
	Netherland	High	High	Low	High	Low	Low	High	High
	Sweden	High	High	High	High	Low	High	High	High
	Bulgaria	Low	Low	Low	Low	High	High	Low	High
	France	High	High	Low	High	Low	Low	Low	Low
	Hungary	Low	Low	Low	Low	High	High	Low	High
	Spain	High	Low	Low	Low	Low	Low	Low	Low
	Italy	Low	Low	High	Low	Low	Low	Low	Low
	UK	High	High	Low	High	High	Low	Low	Low
	Poland	High	Low	Low	Low	Low	Low	High	Low
	Portugal	Low	Low	High	Low	Low	High	Low	High
	Romania	Low	Low	High	Low	High	High	Low	Low
	Slovakia	Low	Low	Low	Low	High	High	High	High
Number of "High" HIS		17	0,529412	0,411765	0,411765	0,411765	0,529412	0,647059	0,529412	0,647059

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