# THE EU STRUCTURAL AND COHESIOH FUNDS: SOLUTION OR SMOKESCREEN TO EUROPE'S REGIONAL DISPARITIES?

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***ABSTRACT.**** *The EU has long had a goal of 'reducing economic and social disparities.' Since the reforms to the European Structural Funds in 1988 the Commission has encouraged enhanced subnational actor participation in policy-making, although subsequent reforms in 1993 and 1999 have been seen as attempts to 'renationalize' the policy. This paper argues that the minimal effect the Funds have had on the ground results not from renationalization but from inherent differences between multilevel actors on one of the key principles of Structural Funding i.e. partnership. The research findings show that whilst intergovernmental mechanisms have not changed since 1988, neither has the acceptance of the need for partnership between national and regional actors, especially in federal or quasi-federal states. The inability of the Funds to reduce disparities and the lack of understanding of partnership both provide lessons for new entrants to the EU: transforming domestic governance arrangements to accommodate the requirements of EU regional funding may only be successful if there are wider understandings of changes in 'governance'; Europe's poorer regions have not been able to close the gap with their richer neighbours with the implication that the regions of the Accession States will be in no better position in ten years time than they are now when compared to other regions throughout the EU.*

## Introduction: Aims and Objectives

Since the establishment of the European Social Fund (ESF) in the Treaty of Rome, and the further establishment of the European Regional Development Fund (ERDF) in 1975, the Structural Funds have grown to cover 35% of the EU budget (CEC, 2002). And since the reforms to the Funds introduced in 1988, EU structural policy has been seen as a possible exemplar of 'multilevel governance' (MLG). That the interaction of national and subnational actors has gradually been transformed as the Funds have developed, both in real terms and conceptually, is largely recognized (Marks et. al., 1996, Peterson and Bomberg, 1999). The emergence of local and regional level actors in this key European policy field is thus explained within the domestic contexts of shifts from 'government' to 'governance' and the changing nature of the state as the EU has developed. This paper will examine the extent to which subnational actors have the ability to determine successful policy outcomes and indeed, whether the Structural Funds actually represent a successful policy (both in terms of enhanced cooperation between levels of government and in reducing the disparities between Europe's regions). The key to any such success is seen as being the extent to which 'partnership' is understood and applied when implementing Fund programmes. Not only has partnership become a key element of European funding since 1988 but explaining shifts in modes of governance in the EU from a multilevel governance perspective are also dependent on common conceptions of partnership.

The paper will outline the effects of the Funds in a number of regions. This shows that the treaty aims of the Funds remain, after nearly forty years, unfulfilled. However, this failure does not indicate immobility on the part of subnational actors. On the contrary, at the subnational level the guiding

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principles of Structural Fund interventions i.e. complementarity, additionality and partnership, are adhered to more than at the national level. But enhanced horizontal adaptation at the subnational level after the reforms to the Funds in 1988 has not been complemented by enhanced vertical adaptation between national and subnational actors. This does not though indicate a stronger role for national governments, 'the 1999 reforms did not renationalize the funds' (Sutcliffe, 2000: 306) The failure of the funds to deliver their objectives does not result from poor quality subnational mobilization, but the ability of national governments to redefine national policy goals – if indeed such goals exist – in equal measure to the innovativeness shown by subnational actors. In this respect, whilst EU Structural Funds may be considered an example of MLG, the relationship between the operation of the Funds and national policy suggests that this is a bounded MLG. And the key to unlocking these boundaries lies in differing national understandings of one of the Funds key principles i.e. partnership or as Bauer refers to it 'the change of participatory structures in the management of partnership' (Bauer, M. 2002: 772). The final argument raised is that the inability of national and subnational actors to embrace partnership will have severe consequences for the development of European Governance the likely reduction of disparities in the Accession States.

## Background

### *National Disparities*

In assessing the impact the regional question has had on the operation of the Funds we need to begin by addressing the basic premise of structural policy i.e. 'the Community shall have as its task . . . to promote throughout the Community a harmonious and balanced development of economic activities . . . and economic and social cohesion and solidarity among Member States' (TEU, Article 2, 1993). Before examining the regionally specific impact of the funds it is perhaps enlightening to examine how national differences have been impacted by the Fund's existence. Table One provides a series of general national level data that can be used as a basis for assessing the effectiveness of European funding to 'reduce economic and social disparities' ***(see Table 1 at the end of the article).***

Clearly, there has been a general increase in wealth throughout the EU 15, with GDP per head rising in 10 of the member states. There are two concerns with such a statement however. Firstly, a general increase in GDP at the national level is not synonymous with a reduction in the gap between the poorest and the richest member states. If we compare the poorest and richest member states in terms of GDP in 1994 i.e. Portugal and Luxembourg, then the gap between them is 99.9 points. If we make the same comparison in 2001 i.e. between Greece and Luxembourg then the gap has increased to 127. Luxembourg is nearly three times richer than Greece on the basis of GDP per head. During the period 1994 to 2001, Luxembourg saw an increase in its GDP of 29.5 points, compared to Greece's 0.7 point increase. And this is despite the fact that Greece was in receipt of large amounts of Cohesion funding throughout the period. The disparity between the EU's poorest and richest regions could be seen as actually increasing, despite the existence of the Structural and Cohesion Funds. There are clearly domestic influences on wealth creation, and the wider politics of securing EU funding. Nevertheless, an initial assessment of the national picture could be that the Funds themselves have had less impact on differences in wealth between the Member States than is often argued.

Secondly, the national statistics may also mask a more deep-rooted problem and the point still remains that the Funds were intended to reduce 'regional' disparities. The next section therefore disaggregates the national figures to consider if the disparities between regions have decreased.

### *Regional Disparities*

To understand the extent to which the Treaty aim of reducing regional disparities has been fulfilled there is a need to examine in detail changes in key indicators within the regions i.e. levels of GDP and unemployment.

The range of regions examined here includes regions in Cohesion states, Objective 1 and Objective 2 regions. The mix includes rural and urban areas to gauge wider economic disparities. The countries chosen also reflect opportunities for partnership formation and the emergence of multilevel governance i.e. they include federally structured states such as Germany, quasi federal states such as Spain, and unitary states such as the UK. An attempt has been made to also examine differences between 'poor' and rich' regions in terms of GDP in order to assess any overall reduction in disparities. Table Two offers a number of insights into regional disparities ***(see Table 2 at the end of the article)***.

These Eurostat figures indicate that, with the exception of the Belgian regions, regions have generally increased their standard of living since 1985. However, the differentials between rich and poor regions have actually increased. For example, over the period 1985 to 2000, Lisboa in Portugal saw an increase of 26 points in its GDP per head, compared to an increase of 13 points in the poorer region of Alentejo. The differential between the two regions means that Alentejo is comparatively worse of in terms of GDP now than it was in 1985. The only exception to this pattern is between the East German Land of Sachsen Anhalt and the West German Land of Bayern. In all other cases, whether a region was in receipt of Cohesion Funding or other Structural Funding, the wealthier regions have become wealthier and with a faster rate of wealth creation than the poorer regions i.e. those regions that already have the greatest level of GDP are more likely to see a larger rise. Relatively, poorer regions have become poorer. The same argument could also be made in terms of unemployment, although perhaps to a lesser extent. All regions experienced a fall in overall levels of unemployment, although the fall was greatest in those regions with the highest GDP.

Claims that the Structural Funds have reduced regional disparities therefore need careful consideration. For those regions that were already economically developed, positioned within or close to the trade center of the EU, then the Funds may, conceivably have helped speed their progress. Without the advantages of locality or resources, poorer regions have faired less well from Structural Fund interventions. Given the stated aims of the EU policy i.e. to reduce social and economic disparities and improve cohesion, this calls into question the ability of the Commission to actually set the agenda over the past thirty years in order to achieve social and economic cohesion. The evidence would seem to support the idea that, looking beyond the intergovernmental budgetary bargaining over the Funds, the policy represents a form of client politics (see Wilson, 1980). And the main 'clients' of Structural Funds policy are national or regional authorities, quasi-governmental bodies and agencies and businesses in the eligible areas. The issue this raises in terms of the inability of the Funds to reduce social and economic disparities is that 'according to its own logic of client politics and its distributive nature, the policy has been organized in such a way that it protects dominant economic interests inside the economically weaker regions, rather than protecting the vulnerable groups in European society' (McAleavy and De Rynck, 1997: 9). In itself this would produce problems for those encountering economic restructuring but it is also compounded, as will be seen later, by an adaptive incapacity in what will be termed 'vertical partnership formation' between national and regional tiers i.e. in the face of the Single Market and economic globalization, some Member States are showing a reluctance to take on board new governance regimes to provide flexibility in decision-making within the Funds. The adherence to intergovernmental mechanisms in existence since 1988 in Germany and Spain in particular, with any change being rooted in domestic dialogue (such as in Germany), suggests that the Funds provide suitably vague and opaque mechanisms that can be manipulated by national governments

## European structural funding and partenership

Moving on to understanding the reasons for the apparent lack of success of the Funds, we need to begin by accepting that economic development has increasingly found itself moving towards the center of

EU policy debates, not least because of the gradual development and increasing budget of the European Structural Funds. And as it has been argued, 'it was mainly the European Commission which gave, in many different ways, impulses and incentives to alter regional behaviour and performance' (Tömmel, I., 1998: 72). This changed behaviour on the part of subnational actors occurred primarily through the promotion of socio-economic interests and over time has taken root as a basis for subnational strategy development across the EU.

## *Partnership*

Under the title 'Complementarity, Partnership and Technical Assistance,' one of the Commission's most innovatory measures in 1988, and certainly that which is of central importance to subnational governments, relates to partnership as a requirement for receipt of EU funds. Firstly, it was planned that Community funded programmes were to act as a complement to Member States own programmes, and not to replace them. Secondly, the reforms provide for new channels of participation in the European policy process. Programmes were to be prepared 'through close consultations between the Commission, the Member State concerned and the competent authorities designated by the latter at national, regional, local or other level, with each party acting as a partner in pursuit of a common goal' (CEC, 1988, Art. 4). Member State interpretations of regional and local governments, as well as other bodies, will of course differ, but the door was opened for new actors to be involved in the 'preparation, financing, monitoring and assessment of operations' (CEC, 1988).

Defining partnership in practical terms can prove difficult, particularly since it is in effect a matter of domestic political determination. However, within the context of a debate on MLG and the changing nature of EU governance, some form of common understanding is essential given that it is now generally accepted as a method of steering within a multilevel system and within the Funds themselves. If partnership is seen though as a means by which policy can be made between governmental and non-governmental actors on the basis of an exchange of resources (information, expertise etc) then 'while there may be differences in details about what exactly is to be understood as 'partnership governance' in the various policy areas, its impressive expansion seems real. Furthermore, recently 'partnership' has stopped being discussed merely as a means for optimizing intra-policy co-ordination across multiple arenas, and has been viewed as a structural principle for 'shaping the New Europe' (Bauer, 2002: 773).

The principle of partnership was extended at the EU level in 1993 'to the competent authorities and bodies - including within the framework of each Member States national rules and current practices, the economic and social partner, designated by the Member State.' The inclusion of 'social partners' in the principle was not welcomed by all Member States, in fact, some Member States have resisted the Commission's efforts to include the social partners in the regional partnerships. However, the Commission would appear determined that 'the social partners must be more involved in the programming procedures than they were in the past' (CEC, 2002). This determination must face the reality though that the Commission is unable to enforce the participation of the social partners and it must work within legal frameworks operating in the Member States. Nevertheless, the principle has been elaborated and provides greater opportunities for the development of intergovernmental relations if national frameworks permit. It is to this point i.e. the extent to which differing national systems actively embrace partnership between levels of government, that the next section turns, looking particularly at the cases of: Germany as one of the EUs wealthiest Member States and with a highly developed federal structure often seen as an ideal model of government organization; and Spain, as a recipient of both Cohesion Funding and other Structural Funding, and having a quasi-federal system that is often seen as applicable to countries undergoing structural political change and transformation.

## *Germany*

In Germany the Structural Funds have taken on a more precient role since reunification. Not only has the policy gained in profile but the existence of a strong domestic policy on regional economic development has 'been described as one of the prime examples of interlocking federalism in Germany' (Conzelmannm 1995). Yet this system of 'interlocking federalism' has thrown up the problem that trying to achieve consensus amongst sixteen Länder with very different policy strategies and needs has not proved very effective for the implementation of the policy, certainly not in the terms that the Commission views it. In terms of relationships between actors in structural fund policy, these are described as 'multi-lateral' in Germany because of the close consultation and interaction between the Bund and the Länder. There are also close links between the Länder and the EU. In both cases, regional actors try to influence the EU on its regional policy. The main point to note is that for the German Länder the objective in such interactions is to safeguard their own interests in the process of 'politikverflechtung.'

Country variables – national politico-institutional settings, national policy 'styles' and pre-existing institutionalized patterns of centre-periphery relations – are still a strong influence on defining who participates in economic and regeneration issues, particularly when these mirror the operation of the Structural Funds. And to this extent, they can have a major impact on how policy principles are developed, especially 'partnership'. In practice, it is the institutionally well-equipped regions – like the German Länder – that gain most prominence within the partnerships. Thus, the reason why a variety of countries with different variables have been chosen for examination here.

Economic and urban regeneration differs in Germany as it forms part of a coherent national regional policy and strategy. Since 1969, regional policy in Germany has been part of a national framework termed Gemeinschaftsaufgabe (GA) or 'joint tasks.' Joint tasks are the responsibility of both the Federal government and the Länder governments. The negotiations which took place on regional policy within this framework were exclusively intergovernmental i.e. between the central and regional levels of government. Other governance actors such as local authorities, businesses and voluntary organisations, were excluded from the decision-making process.

One of the characteristics of regional policy via the GA is that it produces interactions that tend to be closed to non-governmental actors. By having access to resources at the national level the Länder have been able to increase their autonomy from, and control over other subregional actors who do not have access to the centre. The need of the federal level to rely on the Länder to implement regional policy has meant that the Länder have been able to position themselves as 'gatekeepers' between federal initiatives and subregional actors. And the ability of the Länder to shape partnerships within their territories has consequently increased, despite the fact that they have to share power with the federal level.

The emergence of the Commission as an actor in regional policy from 1988 onwards in particular, has had a number of impacts on German regional policy and the partnerships associated with it. In attempting to bring a degree of co-ordination between EU and German regional policies the Commission has caused a number of problems for the GA process in Germany. In particular, the requirement by the Commission that the criteria used by the German government to allocate funding be changed to bring them in line with those used by the Commission, has meant that not only did the national government feel as thought it was being attacked, but the regional governments felt this even more strongly. The Commission required that assistance from German regional policy be focused on fewer areas - the result being that it tended to focus on urban and industrial areas. It also had to contend with a reduction in overall financial levels of payment as a result. As the number of regional areas eligible for financial assistance declined in the GA process many of the Länder turned to Brussels as an alternative source of funding. However, it soon became apparent for the German Länder that financial assistance from Brussels came at a cost i.e. "through legal challenges to Land-level regional programmes, the Commission used its competition policy powers to place severe constraints on the states' manoeuvrability" (Anderson, 1996). For the Länder, the actions of the Commission resulted in what they saw as a direct transfer of sovereignty from themselves to Brussels.

The development of relationships and partnerships within the Funds in Germany have some unique characteristics. Not least among the reasons for this are the resources available to the Länder i.e. constitutional resources, financial and economic resources and a developed civil society feeding a strong source of legitimacy. These resources produce mobilisation strategies that differ markedly from those in countries such as the UK and Spain. These strategies, despite the German affinity with subsidiarity and the much-vaunted system of federalism, have resulted in the Länder maintaining a dominant position over other subnational actors. This is a trait which can be traced back to the introduction of the Gemeinschaftsaufgabe in which the Länder, 'paradoxically ... gave up considerable policy independence to the joint federal arrangements and at the same time found their autonomy and control vis-a-vis subregional and local actors enhanced' (Anderson, 1995: 30). This is further underlined by the argument that 'the ability of each Land government to shape interests with subregional and local interest groups increased, even though its overall autonomy in this policy area decreased with the creation of the GA regime' (Anderson, 1996: 168).

Germany clearly has a national context highly receptive to subnational mobilization and partnership formation. One of the primary reasons for this being the constitutional guarantees that the Länder have in the basic Law. This picture masks a contradiction however, in that below the regional level subnational mobilisation is not as extensive. Despite a strong empathy with the principles of subsidiarity and partnership, municipal authorities often feel isolated and face a Land government which is not as responsive to their demands as the federal government is to the demands of the Länder.

The dominance of Land governments, for example, their ability to determine subnational structures individually, to dictate the range of actors participating in the policy process, and their constitutionally entrenched domestic position, is in contrast to the position of subnational authorities in the UK. The Länder form a further tier of government that both subnational government and non-governmental actors have to factor into their strategies. Yet despite this complex of interrelationships, the evidence from the regions examined here suggests that even the constitutionally guarded intergovernmental mechanisms in Germany have not in effect provided the Länder with the European policy influence they desire. They have though, used the same constitutional guarantees to exert domestic influence over policy implementation but in doing so have run counter to the Commission's understanding of partnership below the regional level.

## *Spain*

In terms of Structural Fund policy in Spain, the key point of interest is how the centre still retains an important role as the paymaster, particularly in relation to regional and statewide bodies. Usually, there is no direct link between the EU institutions and local agencies, such as local authorities, businesses, universities or trades unions. Implementation of the structural funds programmes is carried out within the regions in the same way that they implement their own regional porogrammes i.e. the money from the funds is largely integrated into regional budgets. As such, the regional government becomes a key player for other subnational actors. And in terms of working with other actors, the regional parliaments tend to take the same line as the national government i.e. if it has control of the budget then it also has the final say. So in terms of governance, what we see in Spain is a rather restricted picture with the regional parliaments seeking the opinions of social partners on policy but that policy has largely already been drawn up and decisions made. Widespread participation is not undertaken and the requirements for partnership working which the Commission favours have been largely ignored. In particular, in regional and economic development policy in Spain, the local authorities are largely ignored in the formulation and implementation of Structural Fund projects. Thus the key role which local level bodies should play in a regional development strategy is not developed.

There is no doubt that the Funds are an important factor in strengthening the autonomous responsibilities of the ACs. This applies to the amount of the financial resources that have been mobilised, for the preparation and implementation of programmes and projects and for the breadth of action at the regional level. Policy-making within the framework of the Funds has opened up and/or strengthened new relations between the national, EU and regional levels. But there are still limitations on subnational activity that are shown by comparison with the German federal system. Overall, the system of negotiations between government actors has been bilateral i.e. the ACs have negotiated with the central government and have not taken into consideration the opinions of other regions. There is thus a picture emerging in which social partners and local authorities are cut off from the decision-making process. Nor does a sense of solidarity exist amongst the regions as is the case in Germany.

In terms of interaction at the supranational level, the central government in Spain is in overall charge of the negotiations in Brussels, and representatives of the regions are included on a case by case basis. In terms of the relative influence of the different levels of government in the Funds policy process, it cannot be assumed that defining and making policy are in reality the work of regional and national planners. It is as likely that budgetary considerations – and in the case of Spain this means the national budget system – form the starting point and predefine the field that is to be covered by the EU structural funds and regional operational programmes.

What the research here shows is that Spain has a national context that can be seen as largely conducive to subnational participation in intergovernmental relations. Throughout the period 1989 to 1999 the Autonomous Communities had consolidated their constitutional position. The regions had secured legal rights to act in certain fields, and for some, e.g. Catalonia, these fields were more comprehensive as a result of the regions historical past. However, even in Catalonia the national government maintained a reasonably strong grasp on the EU policy process, largely denying the region the right to act independently, and offering only restricted formal participation in the EU policy process domestically. Admittedly, the reliance of the latter Felipe Gonzalez and Aznar governments on Catalonia for political support afforded the region extensive informal influence in bargaining over EU policy decision. Added to this was the strong sense of legitimacy the Catalan government maintained. Historical sentiments of Catalanism gave the region a political potency that cannot be ignored. So, given the favourable national context in which Catalonia operates it should be expected that subnational mobilisation was well developed.

The overall picture is less clear though. Opportunities for subnational participation in intergovernmental relations in Spain are very limited. There are very few structures accommodating, or investing in, subregional participation in the policy process. The main structural organisations are predominantly at the regional level, and even here, municipal authorities are largely absent. The regional governments placed great store on participation in the Funds and maintained a number of partnerships, both formal and informal. The inability of the regions to undertake action outside the framework of the national context necessitated such informal channels being utilised.

## The Structural funds and multilevel governance

As it has been argued (Benz and Eberlein, 1999), in developing intergovernmental relations regional actors have to adapt on two fronts: horizontally with public and private actors and other politico-administrative units; and vertically with other tiers of government. Since 1988, the main element of both horizontal and vertical adaptation championed by the Commission has been the principle of partnership. The centrality and importance of this principle is often overlooked in debates on multilevel governance and its daily usage seems to have diluted the possibilities of reform to intergovernmental relations that was intended. Indeed, for the Commission, 'partnership did not just have a managerial meaning, it was presented by the Commission as the guiding principle of the whole reform undertaking – not least because it was meant to apply to all stages of the policy-making process' (Bauer, M., 2002: 772). And in each subsequent revision to the Funds since 1988, partnership has been strengthened as the core guiding principle of EU funding, and have arguably enhanced the position of the Commission as an actor in policy-making. However, Member State governments retained the ability to define those partners able to participate in the policy process. The consequences of this became apparent in those countries without 'strong' and entrenched regional governments e.g. in the UK the government originally defined partnership restrictively to provide local authorities with a minimal role in decision-making. With devolution this approach has changed – albeit in an informal sense. As the original Concordat on the Co-ordination of EU Policy Issues between the UK Government and the Scottish Executive highlights, agreements on intergovernmental relations are not legally enforceable and the main responsibility still rests with the Department of Trade and Industry or the Treasury.

Further, whilst the UK government has had to redefine vertical partnership as a result of devolution to Scotland and Wales, the same is not true in Germany. The ability of the Länder to maintain tight relations with the federal government is unchanged with some commentators suggesting that 'pressures seem to have been converted into improvements of the traditional pattern' (Bauer, 2002: 337) of relationships between levels of government with 'the strong pressure of European requirements not leading, as one might expect, to a substantial reform of the joint decision-making structures' (Bauer, 2002: 336). And in terms of the Structural Funds, equally, in Spain it is considered that 'Madrid is very centralized, with whatever we do being passed on to the EU by them, they still have the central role [in Structural Fund policy-making]' (interview source, Extremadura, 2003). In this sense the 'EU is still a system of Member States and they [Madrid] won't let us participate (interview source, Catalonia, 2003). Despite some developments in the powers accorded the ACs, it would appear that the Spanish central government retains the key position of defining partnership, despite the Commission' s desire for the principle to extend to national, regional, local and other levels.

Within debates on MLG, the connection between subnational governments and horizontal partnerships as a means of mobilization alongside the Commission, and possibly forcing national governments to adapt policy practices, has at times ignored the wider implications and ideological application of the principle i.e. the vertical partnership between national and regional actors is also essential in policy-making and implementation. The lack of such vertical partnership in many Member States indicates, firstly the unchanged role of central governments in deciding how decisions are made, ' member states' unwillingness to cede much decision-making power to the partnership arrangements and growing governmental resistance to the Commission's strategy to include ever more societal actors ensured that the effects of mobilization remained largely under the members state control' (Bauer, 2002: 775). The examples here show that, in the emerging new governance of the European Union, both German and Spanish central governments have been able to retain traditional relationships with regional governments. However, despite the lack of formal participatory channels in the UK, relationships between Whitehall and the devolved administrations reflect a more truly 'partnership' oriented approach.

Part of the reason for this lies in differing conceptions of governance between member state governments (see Reilly, 2003). It has been argued that 'It is not one single form but rather a balanced mixture of different modes of governance which helps to manage the tensions produced by the multilevel framework' (Benz and Eberlein, 1999: 343). And as there is something of a schism between understandings of governance in mainland Europe and the UK, especially in terms of societal and subnational government participation, MLG needs to broaden its conceptual toolkit to encompass a 'multi-governance' understanding of the new European governance.

But this research also shows that there are issues to be resolved in the 'multi-level' element of MLG. If, as Marks argues (Marks, 1992), the Funds have created new arenas for bargaining and new issues of governance in which multiple actors negotiate, then these arenas and governance must include those aspects of 'partnership' operating domestically between national and regional levels. Focusing on horizontal partnership formation as an outcome of the dispersion of central government authority has tended to gloss over the multi-level element of MLG. As Jeffery argues, MLG 'has emerged in a particular context . . . which neglects the intra-state environment in which SNAs are embedded' (Jeffery, 2000: 3) Regardless of national and regional institutional variation between Member States, the need for a common understanding and application of 'partnership' that is compatible with a 'governance' oriented EU is essential. Vertical partnership formation between national and regional governments, or the lack of it, may be seen as one underlying reason why 'strong' regional actors still feel the full potential of the Structural Funds policy process has not been achieved. What the current system of intergovernmental relations in the Structural Funds represents is a system of disjointed reciprocity rather than consensual bargaining between nested actors.

And here lies the crux of the issue. Vertical adaptation of intergovernmental relations in the UK has followed a typically informal route, with the devolved administrations accorded participatory opportunities and flexibility that ostensibly appear less than those offered the German or Spanish regions. However, the lack of constitutional restrictions and the deeper understanding of 'partnership' have provided for effective implementation of the Funds in the UK. And interaction between central and devolved authorities in the UK operates on a basis that is less constrained by competing regional demands than in Germany or Spain

## Conclusions

As it has been argued elsewhere, relationships between actors involved in implementing the Structural and Cohesion Funds can only be understood within the context of restrictions and opportunities for participation in the policy process offered by domestic participatory possibilities (Reilly, 2000). Despite the federal characteristics of some of the European countries examined here, when considered within particular policy fields, the constant reference to formal methods of coordination and policy-making can actually be seen as something of a hindrance. The legalistic nature of these formal channels, their clear perception of hierarchy and the working boundaries they set all serve to weaken a sense of 'governance.'

Yet partnership has embedded itself in the lexicon and realism of the Structural Funds to the extent that 'governance,' devolved management and non-formal intergovernmental relations have largely been the norm in policy delivery since the reforms to the Structural Funds in 1988. Policy delivery and making has been based on partnership and co-operation from a range of actors. However, not all member states, or all regions, fully enhance principles such as partnership and subsidiarity, but their requirement for the delivery of EU policy has, over time had a deep effect. The Structural Funds in their current form have been operating for nearly fifteen years and actors have had the opportunity to adjust their policy-styles and processes accordingly. Yet the inability of the Funds to reduce the gap between rich and poor regions would suggest that efforts at subnational mobilization have actually had little effect on overall policy outcomes. And this relates directly to the inability of some national contexts to comprehend the importance of wide-ranging partnerships not only to access funding programmes but also to serve as the basis for future sustainable development within regions and localities.

This brief snap-shot of European Funding also provides a final insight. For the accession states the historical development of the Funds may not be repeating itself. This refers primarily to the entry negotiations and the method of using the Funds as a 'side-payment' for different Member States. After the entry of the UK and Ireland the ERDF was largely reformed. After the entry of Spain the Cohesion Fund was implemented. After the entry of Sweden and

Finland Objective 6 was added to the eligible programme list. Seeing these developments as a 'side-payment' may be contentious, but it nevertheless raises the question of what reforms the accession states have been offered to ease their entry? There is thus a realpolitik outlook within the current budget negotiations that sees the 15 maintaining a strong hold over the EU purse-strings in a manner that does not favour the new entrants as it has done in previous enlargements.

Whilst it should not be overstated, these two arguments suggest that the accession states should not look to the Funds as a panacea. For many of Europe's least developed regions the gap between themselves and the richest regions has changed little over the past fifteen years. But where the Funds have been successful is in those regions and countries where there is an expansive and inclusive working definition of partnership, partnerships that can provide the basis for investment long after EU funded programmes have been implemented and which allow local and regional actors a less formally structured governance arena to secure local and regional agreement on what is best for their futures.

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## Table 1

| Country | Employment | | | | | Labour Market | | | | Demography | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | GDP/Head EUR 15=100 | | Employment by Sector (% of total) 2002 | | | Unemployment rate (%) | | | | 1000 inhabitants, 2003 | Pop. Density (2001) |
| | 1994 | 2001 | Agriculture | Industry | Services | Total ,2002 | Long Term 2002 (% of total activ) | Female, 2002 | Youth, 2002 | | |
| EU 15 | 100 | 100 | 4.1 | 25.0 | 71.0 | 7.7 | 3.0 | 8.7 | 15.1 | 37898.1 | 119.4 |
| EU + ACC | | | | | | | | | | | |
| Belgium | 108.5 | 107.0 | 2.2 | 21.5 | 76.4 | 6.7 | 3.5 | 8.2 | 18.5 | 10 355.8 | 337.1 |
| Denmark | 112.6 | 115.4 | 3.3 | 22.5 | 74.1 | 4.3 | 0.9 | 4.7 | 7.9 | 5 383.5 | 124.3 |
| Germany | 108.5 | 100.5 | 2.4 | 27.8 | 69.7 | 7.8 | 4.0 | 8.4 | 9.7 | 82 542.0 | 230.6 |
| Greece | 66.5 | 67.2 | 16.1 | 23.8 | 60.0 | 10.4 | 5.1 | 15.0 | 26.4 | 11 018.4 | 83.1 |
| Spain | 78.6 | 84.3 | 5.9 | 29.4 | 64.6 | 10.6 | 3.9 | 16.4 | 22.2 | 40 683.0 | 79.8 |
| France | 104.8 | 104.8 | 3.9 | 22.0 | 74.1 | 8.5 | 2.8 | 10.0 | 19.6 | 59 625.9 | 108.8 |
| Ireland | 84.1 | 117.7 | 6.9 | 28.1 | 65.0 | 3.9 | 1.3 | 4.0 | 8.0 | 3 961.3 | 54.6 |
| Italy | 103.5 | 100.2 | 4.7 | 29.2 | 66.1 | 9.4 | 5.3 | 12.2 | 27.2 | 57 071.7 | 192.2 |
| Luxembourg | 164.8 | 194.3 | 1.2 | 22.5 | 76.3 | 2.1 | 0.8 | 3.9 | 8.3 | 448.3 | 170.9 |
| Netherlands | 108.2 | 113.3 | 3.3 | 19.5 | 77.2 | 2.5 | 0.7 | 3.0 | 5.1 | 16 192.8 | 473.7 |
| Austria | 115.2 | 112.0 | 13.2 | 24.0 | 62.8 | 3.6 | 0.8 | 4.5 | 6.8 | 8 058.2 | 97.0 |
| Portugal | 64.9 | 70.6 | 12.4 | 33.8 | 53.8 | 4.1 | 1.8 | 6.1 | 11.5 | 10 412.7 | 112.1 |
| Finland | 94.6 | 104.2 | 5.4 | 26.9 | 67.8 | 9.1 | 2.3 | 9.1 | 21.0 | 5 206.3 | 17.0 |
| Sweden | 105.4 | 106.2 | 2.5 | 22.6 | 74.8 | 4.9 | 1.0 | 4.6 | 11.9 | 8 940.8 | 21.6 |
| UK | 99.4 | 105.1 | 0.9 | 19.0 | 80.0 | 5.0 | 1.1 | 4.5 | 12.1 | 59 086.3 | 241.3 |
| | | | | | | | | | | | |
| Cyprus | 77.0 | 78.4 | 5.4 | 24.1 | 70.5 | 3.9 | 0.8 | 5.1 | 9.7 | 804.7 | 112.7 |
| Czech Republic | : | 60.6 | 4.7 | 39.5 | 55.8 | 7.3 | 3.7 | 9.8 | 16.9 | 10 203.3 | 130.4 |
| Estonia | 30.8 | 38.6 | 6.9 | 31.1 | 62.0 | 9.5 | 4.8 | 10.0 | 19.3 | 1 356.0 | 33.2 |
| Hungary | 46.3 | 51.5 | 6.2 | 34.1 | 59.7 | 5.6 | 2.4 | 5.5 | 11.8 | 10 152.0 | 108.2 |
| Lithuania | 27.8 | 37.2 | 17.1 | 27.4 | 55.5 | 13.6 | 7.0 | 13.3 | 23.9 | 3 462.6 | 56.7 |
| Latvia | 26.6 | 33.4 | 14.4 | 26.8 | 58.7 | 12.6 | 5.8 | 10.7 | 23.9 | 2 331.5 | 37.7 |
| Malta | : | 69.5 | 2.1 | 32.6 | 65.3 | 7.4 | 3.2 | 10.5 | 17.4 | 397.3 | 1165.0 |
| Poland | : | 41.9 | 19.3 | 28.6 | 52.0 | 19.8 | 10.9 | 20.0 | 41.8 | 38 214.0 | 123.6 |
| Slovenia | 62.5 | 67.9 | 9.5 | 38.2 | 52.3 | 6.1 | 3.3 | 7.1 | 15.3 | 1 995.0 | 98.0 |
| Slovakia | 45.4 | 44.7 | 6.4 | 33.8 | 59.8 | 18.7 | 12.1 | 17.4 | 37.9 | 5 379.2 | 110.0 |

Source: http://europa.eu.int/comm/eurostat/newcronos/queen/display-do?screen=detail&language=eng&product=YES&root=YES_copy_5390195 (accessed on 18.02.04)

Table 2

| | GDP in PPS (EU = 100) | | | | | Unemployment (%) | | |
|---|---|---|---|---|---|---|---|---|
| | 1985 | 1992 | 2000 | Change 1992 – 2000 | Change **1985-2000** | 1992 | 2000 | Change 1992-1998 |
| **Belgium** | | | | | | | | |
| Flanders | 102 | 110 | 106 | - 4 | + 4 | 7.4 | 4.0 | - 3.4 |
| Wallonia | 84 | 88 | 78 | - 10 | - 6 | 10.7 | 10.7 | 0 |
| | | | | | | | | |
| **Germany** | | | | | | | | |
| Bayern | 113 | 126 | 124 | - 2 | + 11 | 4.8 | 4.5 | - 0.3 |
| Sachsen Anhalt | : | 43 | 68 | + 25 | : | 18.5 | 18.0 | - 0.5 |
| | | | | | | | | |
| **Spain** | | | | | | | | |
| Catalonia | 82 | 95 | 99 | + 4 | + 17 | 22.3 | 9.0 | - 13.3 |
| Extremadura | 50 | 51 | 53 | + 2 | + 2 | 32.3 | 24.8 | - 7.5 |
| | | | | | | | | |
| **Austria** | | | | | | | | |
| Salzburg | : | 127 | 131 | + 5 | : | : | 3.0 | : |
| Burgenland | : | 73 | 73 | 0 | : | : | 4.5 | : |
| | | | | | | | | |
| **Portugal** | | | | | | | | |
| Lisboa e Vale do Tejo | 65 | 93 | 91 | - 2 | + 26 | 8.3 | 5.4 | - 2.9 |
| Alentejo | 41 | 41 | 54 | + 13 | + 13 | 11.6 | 5.7 | - 5.9 |
| | | | | | | | | |
| **UK** | | | | | | | | |
| West Midlands | 86 | 90 | 92 | + 2 | + 6 | 9.9 | 6.1 | - 3.8 |
| Greater London | 106 | 143 | 147 (241) | + 4 | + 41 | 13.2 | 7.0 | - 6.2 |

Source: compiled from Eurostat, 'Statistics in Focus' for 1986, 1984 and 2001, CEC, Luxembourg