SEARCHING FOR COHESION IN A EUROPE OF THE REGIONS

THE IMPLEMENTATION OF THE EUROPEAN UNION'S STRUCTURAL FUNDS IN THE UNITED KINGDOM AND FRANCE (1994-96)

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In Memory of George Wells

(1925 - 1989)

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Summary

This thesis explores the following research question: *what factors explain the relationship between levels of government over the implementation of European Union regional policy?* Debates in political science and economics in the late 1980s and early 1990s considered whether a *Europe of the Regions* provided a model for the future economic and political order of Europe. Although these debates informed our understanding of European Union policy making, they have now moved on.

The theoretical framework for this thesis tests the extent to which European integration can be explained by processes of multi-level governance, and not by the previously dominant systems of intergovernmentalism. Furthermore, much of the previous theoretical work on European integration has drawn from the earlier stages of policy making (on budgetary decisions, and on institutional and regulatory design). This thesis considers instead the neglected area of the *implementation* of the Structural Funds in two regions (Yorkshire and Humberside, and Lorraine). Using policy networks tools of analysis it tests the explanatory capability of multi-level governance in the following areas: the variation in policy implementation between the United Kingdom and France; the patterns of resource mobilisation in policy implementation; and the formation of regional economic strategies.

The main findings of this thesis show that where domestic regional policy frameworks are weak (e.g. in the United Kingdom), the European Commission has been able to effectively mobilise resources at critical phases of policy implementation - such as during the negotiation of economic strategies. However, over the longer term, the direction the Structural Funds have taken is driven by actors and institutions outside those directly involved in the implementation of the Structural Funds. That is, both DG XVI of the European Commission and the regions themselves have limited opportunities to influence the course of European political integration.

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TABLES

GLOSSARY

AAG	Area Advisory Group
ADAPT	Community Initiative for to support the adaptation of the workforce to industrial change
ANVAR	Agence National pour la Valorisation de Recherche
APEILOR	Association Pour l'Expansion Industrielle de la Lorraine
ARDAN	Association Régionale pour le Développement d'Activités Nouvelles
BERD	Business Expenditure on Research and Development
BIDO	Bradford Integrated Development Operation
CAP	Common Agricultural Policy
CAPE	Comité d'Aménagement de Promotion et d'Expansion
CAPEM	Comité d'Aménagement de Promotion et d'Expansion de Moselle
CAPEMM	Comité d'Aménagement de Promotion et d'Expansion de Meurthe-et-Moselle
CAPEV	Comité d'Aménagement de Promotion et d'Expansion de Vosges
CBI	Confederation of British Industry
CEC	Commission of the European Communities
CES	Comité d'éconmique et social
CIAT	Comitée Interministerielle d'Aménagement du Territoire
CLES	Centre for Local Economic Strategies
COMPRIS	Information Society Initiative for Yorkshire and Humberside
COREPER	Committee of Permanent Representatives
CSF	Community Support Framework
CSO	Central Statistical Office

DATAR	Délégation à l'Aménagement du Territoire et à l'Action Régionale
DETR	Department of the Environment, Transport and the Regions
DfEE	Department for Education and Employment
DG IV	Directorate-General for Competition
DG V	Directorate-General for Employment and Social Affairs
DG XII	Directorate-General for Science, Research and Development
DG XVI	Directorate-General for Regional Policies and Cohesion
DG XIX	Directorate-General for Budgets
DG XX	Directorate-General for Financial Control
DOCUP	Document Unique de Programmation
DoE	Department of the Environment
DRIRE	Direction Régionale de l'Industrie, de la Recherche et L'Environment
DTI	Department of Trade and Industry
EAGGF	European Agricultural Guarantee and Guidance Fund
EC	European Commission
ECOSOC	Economic and Social Committee
ED	Employment Department
EECSF	East of England Community Support Framework
EIS	European Information Service
EMPLOYMENT	Community Initiative to promote equal opportunities, employment prospects for the disabled, and labour market integration of the young
EMROP	East Midlands Region Operational Programme
EPRC	European Policy Research Centre
ERAI	Enterprise Rhône-Alpes International
ERDF	European Regional Development Fund
ESF	European Social Fund
FIFG	Financial Instrument for Fisheries Guidance
FAST	Forecasting and Assessment in Science and Technology
FURs	Functional Urban Regions

GERD	Government Expenditure on Research and Development
GMLC	Greater Manchester, Lancashire and Cheshire Objective 2 Programme
GONE	Government Office for the North East
GOYH	Government Office for Yorkshire and Humberside
HERD	Higher Education on Research and Development
HOP	Humberside Operational Programme
IDO	Integrated Development Operation
IMP	Integrated Mediterranean Programme
INSEE	Institut de la Statistique et des Etudes Economiques
INTTEREG	Community Initiative for cross border cooperation
IOP	Integrated Operational Programme
IRO	Integrated Regional Office
LEADER	Community Initiative for rural areas
LEC	Local Enterprise Council
LGIB	Local Government International Bureau
MBC	Metropolitan Borough Council
MDC	Metropolitan District Council
MEANS	Methods for Evaluating Actions of a Structural Nature
MNC	Multi National Corporation
MYOP	Mid Yorks Operational Programme
NDC	Northern Development Company
NUTS	Nomenclature of Territorial Units for Statistics
NWBLT	North West Business Leadership Team
NWRA	North West Regional Association
Objective 1	Structural Funds Objective to assist the development and structural adjustment of regions whose development is lagging behind
Objective 2	Structural Funds Objective to assist regions or parts of regions seriously affected by industrial decline

Objective 3	Structural Funds Objective to combat long-term unemployment and facilitate the integration into working life of young people and of persons exposed to exclusion from the labour market, and the promotion of equal employment opportunities for men and women
Objective 4	Structural Funds Objective to facilitate the adaptation of workers to industrial changes and to changes in production systems
Objective 5b	Structural Funds Objective to assist the development and structural adjustment of rural areas
Objective 6	Structural Funds Objective to assist the development and structural adjustment of regions with an extremely low population density
OJ	Official Journal
ONS	Office for National Statistics
OP	Operational Programme
PAT	Prix d'Aménagement du Territoire
PED	Pôle Européen de Développement
PMC	Programme Monitoring Committee
PTE	Passenger Transport Executive
PWA	Programme Wide Appraisal
RDA	Regional Development Agency
RECHAR	Community Initiative for areas suffering decline of employment in coal mining
RETEX	Community Initiative for areas suffering decline of employment in textiles
ReRO	Regional Research Observatory
RESIDER	Community Initiative for areas suffering decline of employment in the iron and steel industry
RETI	Association of Traditional Industrial Regions of Europe
RIS	Regional Innovation Strategy
RSA	Regional Selective Assistance
RTD	Research and Technological Development

SEA	Single European Act
SEM 2000	Sound and Efficient Management exercise for the European Union Institutions
SGAR	Secrétariat Général pour les Affaires Régionales
SMART	DTI scheme to promote innovation and technology transfer to SMEs
SME	Small and Medium Sized Enterprise
SOID	Scottish Office Industry Department
SPD	Single Programming Document
SPUR	DTI scheme to promote innovation and technology transfer to SMEs (merged with SMART in 1997)
SRA	Sub Regional Assessment
TASG	Technical Assistance Steering Group
TEC	Training and Enterprise Council
TENs	Trans European Networks
TTWA	Travel To Work Area
TUC	Trades Union Congress
UCLAF	Unité de Coordination de la Lutte Anti-Fraude
VONEF	Voluntary Organisations Network for European Funding
WTO	World Trade Organisation
YHDA	Yorkshire and Humberside Development Agency
YHEO	Yorkshire and Humberside European Office
YHP	Yorkshire and Humberside Partnership
YHRA	Yorkshire and Humberside Regional Association
YHSA	Yorkshire and Humberside Steel Area
YHUA	Yorkshire and Humberside Universities Association

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1

INTRODUCTION: SEARCHING FOR COHESION IN A EUROPE OF THE REGIONS?

1.1 INTRODUCTION

Regions through the reform of the Structural Funds in 1988 and the increased resources dedicated to them have become a significant focus for the implementation of the European Union's cohesion policies. Prior to the reform of the Structural Funds, the European Community's budget was targeted at member states or specific sectors, namely agriculture, whereas since the reform less favoured areas and regions themselves have become major beneficiaries of these funds. The reforms made to the Structural Funds also recognised that regions were emerging as a territorial level through which structural problems could effectively be addressed. This reflected the growing dynamism of certain regions of the European Union, suggesting that economic development was gaining a new territorial focus. However, while some regions have experienced exceptional growth, structural readjustment for others still appears to be a distant prospect. In comparison to the budgets of the member states, the budget of the Structural Funds is still relatively small. However, the reform did increase the role of the European Commission in securing cohesion between regions.

Regions (encompassing all subnational authorities and agencies) themselves have also become more active in economic policy, developing roles outside those assigned to them by their respective nation states. This has not only occurred under federal systems but elsewhere. Regional authorities have formed European level associations and groups to further their common territorial interests and challenge those of the dominant intergovernmental system. The increasing role of subnational authorities, not only in economic spheres, was recognised in the Maastricht Treaty with the creation of the Committee of the Regions, giving both regional and local authorities a constituted voice in certain areas of European level decision making. For some these developments mark the emergence of a 'Europe of the Regions' to counter a 'Europe of nation states' (Borras-Alomar *et al.* 1994).

Economic and political integration in western Europe through the 1980s and 1990s has reignited debates about a 'Europe of the Regions'. Before this period the debate had principally been concerned with the restructuring of nation states and the decentralisation of powers to regions. In many respects the term a Europe of the Regions captured both, changes in the structures of government, but also (real or alleged) changes in the structure of production and economies. These debates provide the starting point for this thesis, its theoretical review and the establishment of its framework of analysis. These debates also provide the basis for the central question which this thesis addresses: *what factors explain the relationships between levels of government over the implementation of European Union Regional Policy?* In particular, recent theoretical and empirical advances, particularly in political science, while not rendering a Europe of the Regions obsolete, suggest that as a means for providing an insight into economic and social cohesion policy making in the European Union, the debate needs to be recast. One of the central objectives of this thesis is therefore to contribute to this redefinition.

This thesis does this by examining the policy making process, and in particular the *implementation* of policy, in the European Union. Its empirical investigation is of the implementation of the European Union's Structural Funds in the United Kingdom and France. This uses political science tools of analysis to examine policy actor mobilisation and the political resources used in the implementation of the Structural Funds in two regions, Yorkshire and Humberside (United Kingdom), and Lorraine (France). Within this, and recognising that the Europe of the Regions debate is multi-disciplinary, the empirical study focuses on the formation of regional economic strategies required to implement the Structural Funds. Moreover, this examines how different actors are able to mobilise resources to influence economic strategies, and why they should choose to do so.

In examining the factors which explain the relationships between levels of government, the thesis rejects many of the overarching claims of intergovernmentalism to argue, not only is the European Commission capable of action which is autonomous to intergovernmental structures, but also that the degree of autonomy the Commission holds varies depending on the policy arena and the member state with which the Commission is working - in short the Commission is not a unitary monolithic body. Furthermore, this variation can only be explained by employing policy networks as tools of analysis.

This chapter is structured as follows. The next section examines changes in the political powers of different territorial levels of government in western Europe, and considers whether these represent the emergence of a Europe of the Regions. The following section then considers one of the strongest changes which is held to lie behind the increasing role of regions - that is the process of economic development along increasingly neo-liberal lines. It is argued that this holds implications for policy makers involved in the implementation of cohesion policies and it is the subject which forms the central issue of this thesis. Section four of this chapter develops a framework of analysis by which the implementation of European Union regional policy can be examined. The penultimate section outlines the research design and method used to test the framework of analysis. Finally, the concluding section outlines the structure of this thesis.

1.2 CHANGING NATION STATE - REGION RELATIONS: TOWARDS A EUROPE OF THE REGIONS?

1.2.1 INTRODUCTION

The Single European Market and the Maastricht Treaty represent the greatest steps towards the economic and political integration of western Europe since the signing of the Treaty of Rome. Both represent a neo-liberal strategy of market integration where the economic sovereignty of the nation state is reduced. These developments coupled to the general internationalisation of economic life are making economic and social cohesion increasingly difficult to achieve at least through the traditional use of fiscal policy by nation states. The regulation of a neo-liberal market, through European Union Competition and State Aids policy, has curtailed many of the traditional tools of nation states for managing their national economies. However, over the long term the progressive opening of economies to trade should strengthen neo-classical economic mechanisms of convergence, allowing greater capital and labour mobility, economies of scale, and technology transfer. In the short to medium term, however, the neo-liberal strategy of market integration places pressure on mechanisms for redistribution, as governments are placed under pressure to cut public spending and budget deficits. In place of these mechanisms, authorities at European and also local and regional levels have taken on greater responsibility for implementing policies of structural readjustment.

The next stage of European integration brings the prospect of enlarging the European Union to the East and the creation of a Monetary Union, at least for some member states. Faced with the prospect of further economic integration along neo-liberal lines, cohesion across the European Union will become even more difficult to find. Furthermore, disparities in economic well-being, measured principally in terms of income per capita or unemployment, may become more entrenched, at least while regional economies undergo a period of economic restructuring. Economic development policy making has thus taken a greater regional focus, which for some marks the emergence of a Europe of the Regions.

Arguments to support a Europe of the Regions are derived essentially from two debates. The first debate concerns the future of the nation state, where some scholars argue that we are witnessing the development of a new federalist and regionalised European state alongside the atrophy of the nation state (Loughlin 1993). The second debate concerns changes in the organisation of production and the spatial implications this holds. These changes are suggested to result either from technological change or increasing economic integration. Some contributors to this debate suggest that there is, in part, a *return to place* for production (Amin 1992, p. 129; see also Amin and Robins 1990) centred on the re-emergence of regional economies. Both debates are accompanied by empirical evidence to suggest that the rise of the region both as a political entity (Keating and Jones 1985; Mény and Wright 1985; Sharpe 1993) and an economic entity (Piore and Sabel 1984; Scott and Storper 1987; Hirst and Zeitlin 1989) is occurring in the European Union.

Although change is evident in both the political and the economic role of regions in the European Union, the underlying trend in European economic or political development, is neither towards a Europe of mini nation states, nor to a Europe of self-sustaining regional economies. Instead, it appears that economic and political developments in a number of forms have taken on important new dimensions which, while not to the extent argued by the protagonists of a Europe of the Regions, suggests the emergence of structures which are qualitatively different from the past. While we might not be witnessing the emergence of a Europe of the Regions, it does however provide us with a powerful slogan which highlights some of the problems and weaknesses of previous systems of territorial organisation.

The economic and political debates over a Europe of the Regions in the late 1980s and early 1990s suggest that a new economic and political conceptualisation of territory is warranted. Political science explanations show that the emerging system allows nation states to coexist alongside federal, confederal and regional governments, which in sum, according to Keating (1992), represent the new *variable geometry* of the western European political system. Within economics, and in particular economic geography, new typologies of economic development have been suggested: for example post Fordist theorists (Benko and Dunford, 1991) argue that new modes of production have led to patterns of capital accumulation which are geographically different from their Fordist antecedents.

More generally, debates on globalisation and heightened economic integration through the removal of economic borders have led nations to become less important vis-à-vis regions because the latter are now exposed to greater international competition. Stöhr (1990) suggests that this represents a new global-local interplay which physically alters the spatial pattern of the organisation of production. Amin and Malmberg (1992) in their critique of the supporters of an *economic* Europe of the Regions argue that the changing geography of production in Europe is determined more by the restructuring of multinational corporations than by a resurgence of small and medium-sized enterprise-based regional economies. That is, the internationalisation of economic life has reduced the economic sovereignty of national governments and as a result, regions have had to become more active in determining their own development. Put more pessimistically, they have been left to their own devices.

1.2.2 The Political Rise of European Regions

Two of the most recent revisions of the Treaty of Rome (Single European Act and the Treaty of European Union) both identified regions as 'key actors in a stronger and more integrated European Community' (Leonardi and Garmise 1993, p.247). This new role within the European Union, reflecting their increasing institutional powers, is seen as marking the long rise of regions within Europe, not only in the historical strands of regionalism but also in federalism. This ascendancy is argued to be relative to a decline in the role of the nation state. The current rise of the region has been a cumulative process with regionalism slowly gathering more and more supporters throughout the twentieth century.[1] Indeed at the end of the nineteenth century the nation state had become so well established that it 'seemed ready to spread itself around the world as it combined with the economic successes of capitalism' (Gellner, 1983; cited in Loughlin 1993, p. 9). In the early part of the twentieth century the principle of the nation state was that it formed the basic organising unit of the political system and of society, forming the basis for national self-determination (Stirk 1989; cited in Loughlin 1993, pp.9-10).[2]

Since the 1980s moves for greater European political integration have become entwined with moves for further economic and monetary integration. Alongside these there were trends towards an increase in the power of the regions vis-à-vis the nation state in their relative access to European institutions, which previously had been the preserve of national governments acting as the gatekeepers to the supranational ambitions of regions (Hoffmann 1966).[3] Under the Maastricht Treaty, the establishment of a Committee of the Regions is the clearest demonstration of this trend, although as yet it has limited political resources and politically its institutional role is still developing (Jeffrey 1995). This must condition the impact it will make in promoting regional interests at a supranational level. However, the adoption of the principle of subsidiarity, allowing decisions to be made by the institutional level most appropriate to that decision but preferably at the lowest level possible, as embodied in the spirit of the Maastricht Treaty, has given some weight to the vision of a Europe of the Regions (van Kersbergen and Verbeek 1994). Coupled with a new role for regional economic policies the slogan of a Europe of the Regions has gained new importance (Keating and Jones 1985) and for some is 'indicative of the new agenda' (Loughlin 1993, p.14).[4]

Regions gained constitutional and/or juridical powers in 1948 (in Germany), in 1972 (in Italy), in 1982 (in France), since 1975 (in Spain) and since 1989 (in Belgium), from the state, giving the regions greater administrative and in some cases legislative powers.[5] Of the large member states the United Kingdom has been the slowest to give regions political powers. During the period in which other member states increased regional powers, substantial parts of public expenditure were coordinated through the Welsh and Scottish Offices, but with decision making remaining in London. However, this is changing with the election of the Labour government in May 1997 and the referenda in Scotland and Wales in September 1997 which will establish a Scottish Parliament and a Welsh Assembly. Decentralisation to the English regions is however to take longer and be less likely in the short term to involve the creation of political structures radically different from the past.

Adonis and Jones predict that 'the future will culminate in the regions becoming the dominant unit of government below the European Union institutions, thus superseding the nation states, which will gradually atrophy as the principle of subsidiarity renders them obsolete' (Adonis and Jones 1991; cited in Sharpe 1993, p33). However, this underestimates the propensity for the survival of the nation state.[6] The prediction by Adonis and Jones depicts a scenario in which a Europe of the Regions will in some way form a Europe of mini-nation states and implies the secession of regions from their nations and their subsequent accession as nations to the European Union; or that the nation state, alternatively, in the scenario put forward by Adonis and Jones (1991) will become defunct as a political entity as competencies and policy implementation become relevant only at the federal European and regional levels. Neither thread appears to be on the agenda in any of the European Union member states, except perhaps for territorially based and stateless ethnic groups.

Loughlin remarks that the debate between 'those who see a Europe of the Regions, and therefore some kind of federal Europe in the making and those who argue that the Europe of the nations is still dominant is in some ways unfounded' (Loughlin, 1993, p.15). What seems to be happening empirically is that we are witnessing neither, but instead a new form of nation state that is qualitatively different from the nation state of, say 1940 (Loughlin 1993). Given the preceding argument, the question which should be asked is what are the new features of this emerging European nation state? In this context, regions, of various kinds, are slowly adopting a new role. In some cases, their position vis-à-vis their own central government has been strengthened as they become players in a new political game; although elsewhere such development has been curtailed, both by the respective nation state but also the region's inability to construct a role for itself.

Explaining the increasing power of regions in a changing state-system.

Sharpe (1993) interprets the rise of the region over the last 40 years as representing the emergence of a meso level government; where the meso implies the government of territory by an array of authorities and agencies beneath the nation state.

Sharpe (1993) suggests that the post war rise of regionalism can be characterised in five ways.

1. The strongest (although least widespread) force, has been the increase of *regional ethnic nationalism*. It is, however, concentrated in particular areas (such as the Basque Country, Catalonia, Wallonia, Flanders, Corsica, South Tyrol, Scotland

and Wales). In each, strong nationalist groups have, and continue to press for, either increased devolution of power from the centre or complete secession, and through an array of violent and non-violent channels. Decisive as regional nationalism has certainly been in the emergence of regional government in some countries, and in sustaining it once established, especially in Spain and Belgium, it is not in any sense the only reason for the rise of regional government.[8]

2. The second factor termed by Sharpe as *rational-functional* involves two key socio-economic changes at the local level in the modern advanced industrial state. The first is geographical and can be termed the suburban (or second urban) revolution. The rational phase is the consequence of urban (or rather suburban) growth where old pre-industrial local structures become *under-bounded* and no longer correspond to socio-geographic reality. That is, there is a requirement for geographically larger areas to achieve sufficient administrative capture so as to ensure administrative efficiency.[9] The second change is functional in origin; in general, as the western state has expanded its activities during the twentieth century a greater proportion of that expansion as measured by expenditure has taken place at the sub-national level. Together the rational-functional set of factors explain the enlargement of local government structures necessary for coping with new service responsibilities and urbanisation.[10]

Important in the *rational-functional* mode has been the growth of *regional planning* since world war two. State planning since 1945 has in many west European states followed the French indicative model, particularly in Belgium, Italy and for a while in the United Kingdom (Hayward 1969). This was normally planned centrally but implemented on a regional basis and aimed among other things at ameliorating economic disparities between the poorer and declining peripheral regions and the more prosperous capital and central regions. Regional planning was a means by which the centre could be seen to be responding to the plight of the regions (Sharpe 1993, p.12), and thereby did much to strengthen central government, but it did have the effect of creating a new area for regional authorities to enter. While this form of regional planning has long since perished, it has left regional institutional structures as part of its legacy.[11]

3. The third strand to the development of meso government is ideological. Firstly, there was an inevitable identification of decentralisation with democracy in those states that endured lengthy periods of fascist centralisation. In particular, in those states which emerged from fascism later (Spain and Portugal), there was a clear identification with the West German Basic Law as the means to ensure enduring democracy. Secondly in Scandinavian countries there was an explicit intention to create the basis for rational decision making by public administration functions such that the concept of local government could become more firmly entrenched (Sharpe 1993, p.14).[12]

At a broader level, pressures for regionalisation have come from a growing dissatisfaction with the strong tendency for the post-war state to appear over-bureaucratised and over-centralised. What is important to emphasise in the ideological explanation in the rise of the region as a decision space, is that it represents a new bargaining arena 'based on territory rather than sector, where non-producer groups via communal institutions at the regional level correct some of the distortions generated by universalistic egalitarianism and corporatism alike' (Mény 1986, p.40). This emphasis on cross-sectional representation at the regional level has been more noticeable in the southern European countries, and in particular Italy (Trigilia, 1991), than in northern Europe.

4. The fourth strand is that of *sectional* party political interests. For instance it is typical for the party in opposition, in a centralised state, to advocate decentralisation, particularly where there is a bipolar party system. For example Gourevitch in discussing the French state, argues, 'when in the opposition, support decentralisation; when in power, hang on to all instruments centralisation can provide' (Gourevitch 1980, p.49). However, Gourevitch's argument has been undermined by subsequent events and in particular the decentralisation programme of the Mitterand presidency. Conversely, regional government can also enable opposition parties to shine, for example the former control of Emilia-Romagna by the *Partito Comunista Italiano* demonstrated that it could run an ostensibly non-urban area, and thereby throw up the question, was it suitable for national government. However this also enabled the then

ruling *Democrazia Cristiana* to shift the onus of restructuring industrial areas (e.g. north west and north central Italy) to the parties of the left.

5. The final strand of Sharpe's explanation of the rise of regions is that of *central advantage*, where it is typical for the centre, being in a position of greater power, to extract the most from its position. In particular this means the decentralisation of two aspects of the centralised state. First, increasing the local tax burden vis-à-vis the centre, and secondly the decentralisation of service delivery to the periphery to assist the rolling back of the state. These aspects have increasingly meant that the delivery of public services, particularly for economic development, has shifted from local and regional authorities to local and regional agencies which span both the public and private sectors.

1.2.3 Conclusion and Critique of a Europe of the Regions

Sharpe's analysis of the balance of powers between the central state and the regions shows the complexity of, and points to the interelationships among, the factors which have led to increased regional powers in western Europe. Furthermore, behind Sharpe's ethnic, functional, ideological, and sectional (party) factors which have reshaped political structures in western Europe, is a realisation that these are cross-cutting, not only within nation states but also within some regions. However, if the balance of power between the centre and the regions may favour the former, and, if a Europe of the Regions is not emerging, then what are the characteristics of the state system in western Europe at the end of the twentieth century? Defining these factors is an important step in establishing those variables which *explain the relationships between different levels of government over the implementation of European Union regional policy.*

Keating suggests that government in western Europe is becoming more multi-faceted, and crosses the usual lines of demarcation between types of state system. He terms this variable geometry and implies that the role of the region is still coming to the fore: though he does not foresee the realisation of the Europe of the Regions thesis, nor the secession of regions from their nation states. Instead, sub-national elites which are at present in a nascent form may develop a greater role, due to the rolling back of the state, in which case their growth may perhaps be relative, or due to absolute changes, where a process of regionalisation occurs (Keating 1992, p.60).[13]

The work of Loughlin and Sharpe describes a number of trends and features of regionalism and devolution in western Europe. However, their work remains largely descriptive and fails to argue which factors have been most important in explaining the emerging pattern of regional, national and supranational policy making. This thesis seeks to address these weaknesses in three ways. Firstly, Sharpe does not adequately acknowledge the huge variation in powers devolved to regions across western Europe. This presents a significant problem in designing a robust framework of analysis for comparative research. Indeed the set of political and administrative structures which have emerged do not follow consistent patterns, even within individual countries. Herein lies a particular problem in explaining the restructuring of subnational government: that is, the very definition of the region itself. Moreover, this presents a challenge for examining policy implementation. The explanation used here focuses not on the construction of regional institutions per se, but that the changes in subnational government represent an emerging *decision* or *policy space* beneath the nation state. Conzelmann suggests that 'this [space] is defined by its appropriateness for certain kinds of decision, not by the existence of institutional structures.' (Conzelmann 1995, p.169).

Secondly, Sharpe fails to adopt any formal tools of analysis to examine the changing role of regions. For example structures of government at differing levels are changing and both central and local government has restructured along lines which incorporates public and private actors and as such is now perhaps more accurately described as *governance*. To examine this process, this thesis uses policy networks as tools of analysis in conjunction with the macro political theory of multi level governance. Multi level governance argues that policy making between different levels of government is becoming increasingly enmeshed. Instead of discrete functionally defined tiers of government, scholars of multi level governance (Marks

1992; Hooghe 1996) argue that networks of policy actors increasingly interact in the policy making process: for example networks of actors at different territorial levels may outflank more dominant actors in the design of a particular policy.

Thirdly, whilst this thesis adopts political science tools of analysis, its empirical study is of an area of economic policy: the implementation of the Structural Funds. For many, economic change is held to be a powerful force behind the emergence of a Europe of the Regions (Borras-Alomar *et al.* 1994): reducing the capacity of individual nation states to sustain balanced economic growth, which in turn has increased the relative importance of regional authorities and agencies own economic strategies. However, the links between the changing structures of government in Europe and the process of economic development are multi faceted and complex. Moreover, and as is discussed in the next section, the relationship between such linkages, and economic cohesion and regional economic growth, is disputed both by economists and economic geographers.

Through examining the implementation of the Structural Funds (a policy area which involves actors at supranational, national and subnational levels) this thesis adopts political science tools to examine the relationship between actors involved in a narrow area of economic policy making. This approach is novel because it characterises, through policy networks analysis, the linkages between policy actors and the formation of economic development strategies.

1.3 THE *DEMAND* FOR REGIONAL COHESION POLICIES

1.3.1 INTRODUCTION

Although other policies will invariably impact on cohesion, in both positive and negative ways, it is the Cohesion and Structural Funds which form the central plank on European Union cohesion policy. Cohesion, in the context of these funds, refers to the reduction of economic and social disparities between regions (the Structural Funds) or member states (the Cohesion Fund). However, both the European Social

Fund (ESF) and the guidance section of the European Agricultural Guarantees and Guidance Fund (EAGGF) have additional aims within cohesion policy: the integration and development of the workforce (ESF) and the integration and economic cohesion of agriculture-dependent rural communities.

The Structural Funds and Cohesion Fund are often seen as a side payment made in return for agreements by poorer member states to further economic and political integration. In the long term, neoclassical economic arguments suggest that economic integration, through *inter alia* the removal of trade barriers, the harmonisation of trade standards and regulations, and the curtailment of anti-competitive state aids, will stimulate economic convergence between regions and the overall competitiveness of the European Union, particularly through increased factor mobility. This is the economic rationale behind the Single European Act and the Delors White Paper.

However, the Structural Funds and Cohesion Fund amount to a very small percentage of European Union GDP. They will not have a significant effect solely as fiscal transfers from the rich to the poor regions - except perhaps for the smaller countries receiving the Cohesion Fund. The European Union has therefore engineered a regulatory and policy framework through which the impact of European Union support could be increased over that of direct fiscal transfers alone. This is the rationale behind the Structural Funds principles of Additionality (where member states are not permitted to substitute European Union funds for national expenditure) and Concentration (where European Union funds are targeted at specific categories of regions facing severe problems of economic restructuring).

Although important, it is the other two principles of the Structural Funds which this thesis investigates in more detail: namely Partnership and Programming. These principles lie at the heart of the implementation of the Structural Funds. The prima facie case established in the Structural Funds reforms of 1988 is that:

- The establishment of regional partnerships and partnerships between the implementing authorities (European Commission, member state and regional authorities) would serve to make the process of economic development, more inclusive, more representative of the array of actors involved in economic development, and more likely to create effective working relationships between policy actors.

- The adoption of programming - in the form of agreed multi-annual economic strategies and financial plans - was to provide a framework and a set of actions to effectively respond to regional needs and opportunities for economic development. Programming was intended to be the articulation of negotiated partner interests within a European Union policy framework.

However, there may be positive economic externalities from implementing the Structural Funds through programming and partnership. That is, the process of implementation may itself increase the capability of regions to successfully pursue strategies of economic development. It is this process which is examined in the empirical investigation of this thesis. The focus of this section, however, is twofold: to define what is meant by cohesion within the European Union; and to outline the opportunities and limitations to regionally-focused strategies for economic development.

1.3.2 Defining Cohesion in the European Union

Article 2 of the Treaty of European Union established economic and social cohesion as a fundamental principle the Community seeks to respect. However, the breadth of economic and social cohesion policies makes them difficult to reduce to a single definition. An attempt is made in Article 130a of the Treaty of European Union which states that:

> In order to promote the overall harmonious development, the Community shall develop and pursue its actions leading to the strengthening of its economic and social cohesion. In particular, the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least-favoured regions, including rural areas (CEC 1993b).

It is not clear whether this refers to the convergence of incomes across regions, or to political convergence, where all parts of the European Union work towards the goals of the European Community. Moreover, in that the aim of further European integration is to increase the overall level of economic gains, it is clear that these will not be shared equally by all parts of the European Union in the short term. This may cause political tensions to develop and pressure for economic imbalances to be addressed, either through increasing the returns from membership from integration (the so-called side-payments) or if imbalances become so great, for secession from further involvement in economic integration.

Some of the confusion over a definition of cohesion has been clarified by the European Commission's *Cohesion Report.* This report is a requirement under Article 130b of the Treaty of European Union and states that:

> So far as the geographical dimension is concerned, the reduction of disparities between Member States and regions is held, following the Commission's 1993 White Paper [Growth, Competitiveness and Employment] on these themes, to mean convergence of basic incomes through higher GDP growth, of competitiveness and of employment. Improving the competitiveness of the weaker regions is particularly important in the context of the European Single Market (European Commission 1996a, p.13).

Importantly, the *Cohesion Report* stresses the need for convergence in basic incomes across the community and that improving competitiveness and reducing unemployment should contribute to this. The aim of this section is to examine why regional cohesion remains important to the solidarity of the European Union and, more importantly, whether disparities between regions should necessarily be addressed through regional policies.

1.3.3 Regional Winners and Losers in the European Union?

The European Commission's *Cohesion Report* considers disparities in the level of income and (un)employment between both Member States and between regions. The discussion here focuses on disparities between regions, while acknowledging that many have a distinct national character. As the Cohesion Report suggests, 'economic disparities in the Union are most evident at the regional level, and, in particular between the centre and the periphery' (EC 1996a, p.21).[14]

Trends and Patterns in National Economic Development

The *Cohesion Report* shows that the countries with the highest rate of net job creation in the 1983-93 period were located in the Netherlands, Germany, Luxembourg and the United Kingdom. Those countries with the worst record of employment creation were many of the Nordic regions in Finland and Sweden, as well as many of the old industrial regions including, in the United Kingdom, Merseyside, South Yorkshire and the West Midlands, and in France, Lorraine and Nord-Pas de Calais. The figures on employment creation bear a close relationship to the regional share of particular industrial sectors. Those regions with large proportions of primary industries or old secondary industries have performed poorly in creating new jobs.[15]

Other findings of the Cohesion Report and the earlier work by Begg and Mayes (1993) were that many less-favoured regions face multiple disadvantages which show up on an array of labour market indicators. For instance, there is a strong correlation between long-term unemployment and total unemployment. Long-term unemployment is particularly high in Ireland, southern Italy and the south and west of Spain. Youth unemployment is generally high throughout the European Union, but is highest in the south of the European Union, reaching rates in excess of 30 per cent in the worst affected regions. Unemployment in the south of the European Union is also affected more by latent labour market problems than in the north. For instance there are lower activity rates, particularly amongst women, and demographic projections anticipate more rapid rates of growth in population in a majority of peripheral regions (EC 1996a).

Trends and Patterns in Regional Economic Development

The European Commission's *Fifth Periodic Report on the social and economic situation and development of the Regions of the Community* (CEC 1994a) differs from the fourth report *The Regions in the 1990s* (CEC 1991b) in a number of respects.[16] This is largely because of the differing economic climates in which each report was prepared. The first reflects more on the recession of the first half of the eighties, while the second is more sanguine about economic cohesion and reflects the upswing in the economic cycle at the end of the eighties. This problem is compacted by countries being in slightly different positions in the economic cycle. One important contextual difference relates to the changing perspective for the future direction of Europe; for instance the 1994 report emphasises increasing migratory patterns, partly within the European Union but increasingly from central and eastern Europe. Discounting the east German Länder, the later report is positive with regard to the prospects of economic development in the European Union. This contrasts starkly to *The Regions in the 1990s* which suggests that there are considerable regional differences across the European Union and that 'these differences are detrimental to the economic cohesion of the Community, especially in the context of the moves towards economic, monetary and political union' (CEC 1991b, p.3), while the 1994 report is more mixed:

> [U]p to 1991 statistical measures which take into consideration the situation of all regions point to slow but steady reduction in disparities in output per head in general. Even so, the gap between the richest and poorest remains considerable. For example, in 1991, the top 10 regions had an average income 3.5 times greater than the bottom 10. With the new German Länder included the difference is 4.5 times (CEC 1994a, p. 10).

From this report and also from recent Commission data on income per head and unemployment levels in the European Union's regions (CEC EUROSTAT, 1994a and 1994b) the location of the most dynamic and backward regions can be outlined.

Using a three year average (1989-1991), the most dynamic regions measured by GDP per capita (based on Purchasing Power Standards - PPS) are: Hamburg (194.5 per cent of the European Union average); Île-de-France (166.8); Darmstadt (162.9); Greater London (151.2); Bremen (149.7); Oberbayern (149.1); Stuttgart (137.6) and Lombardia (134.7).[17] However, there are a number of problems with such measures, for instance Hamburg, Île-de-France, Greater London and Bremen have a high degree of statistical *underboundedness* (i.e. they have significant commuter populations from their hinterland). At the opposite end of the scale nine NUTS 2 level regions fall beneath a GDP per capita income of 40 per cent of the European Union average. These consist of five of the six new German Länder, Centro and Alentejo in Portugal and Ipeiros and Voreio Aigaio in Greece.

In addition to the sizeable disparities in GDP per capita across the European Union it is also apparent that this picture has not been a static one during the 1980s and that certain regions have either grown or contracted rapidly. Comparable measurements of this are difficult due to the accession of three significantly poorer countries during the 1980s. However, there appears to be a clear picture of those regions which grew rapidly, and which might be termed winners in the emerging 'inter-regional competition' (Dunford 1994). While the most dynamic regions with GDP per capita of over 140 grew slowly, with the exception of Greater London which witnessed a slow decline after 1984, there are a number of 'secondary' regions which grew rapidly. These include Lazio, Veneto, Trentino-Alto Adige, Fruili-Venezia-Giulia, Emilia Romagna, Swaben and Mittelfranken. Considering the location of these within the European Union and other regions which have also witnessed significant growth, a pattern emerges. That is, non-metropolitan (i.e. sub-urban and rural) regions closest to the economic core (that is, southern Germany and Northern Italy) have witnessed the strongest growth. Meanwhile, a large group of regions with beneath average GDP per capita have fallen further. Typically these have been the regions with traditional industrial economic bases (often designated for Objective 2 assistance from the Structural Funds) although the lagging regions (designated for Objective 1 assistance from the Structural Funds), with some exceptions, have converged on the European average.[18]

1.3.4 A Europe of *Economic* Regions

The increasing importance of regional authorities and agencies has enabled certain regions to successfully shape their own economic strategies. In addition it is predicted that the European Single Market and the opening up of the East European economies will together have a great impact on regional economic change across Europe (CEC 1993a; Baldwin, Francois and Portes 1997). Both of these developments (SEA and enlargement) are part of the trend towards greater economic integration and the increasing exposure regions face in the global economy.

Over the last 20 years certain regions have grown rapidly, or have restructured their industrial base successfully to maintain high levels of income per capita. Of these regions many have been shown to represent the model for future regional economic dynamism and programmes have been established to replicate their success elsewhere. One of the most prominent examples was the European Commission's *The Four Motors* (CEC 1987b) which examined the economic success of Baden-Würtemburg, Lombardy, Rhône-Alpes and Catalonia and has tried to replicate this in regions experiencing decline.[19]

Economic change is also being witnessed in the production system itself with the organisation of production taking on new forms. Such change is itself creating new patterns of economic location, and some of the most economically dynamic regions in Europe may represent the precursors to this new order. Indeed this is seen by many theorists as marking the start of a new era of capitalism. For instance, this has been forecast by neo-Schumpeterians, the Regulation School and theorists of flexible specialisation alike, although the underlying dynamics of this epochal change are quite different in the three schools of thought. These groups foresee the decline of the previously dominant mode of capitalism, characterised by the Fordist system of mass production. This was typified by the agglomeration of capital around large urban areas, and coupled to a 'functional division of tasks between cities and regions which are hierarchically linked to each other' (Amin and Malmberg 1992, p.401). The replacement of this rigid system of mass production is anticipated to be based around the vertical disintegration of both the division of labour and the organisation of capital (Boyer 1988; Lipietz 1986; Benko and Dunford 1991) which is also accompanied by a decentralisation of decision making in large enterprises. It is thus anticipated that the 'geography of post-Fordist production is said to be at once, local and global' (Amin and Malmberg 1992, p.401).[20] This sub-section highlights the new spatial forms of economic activity that are emerging (Benko and Dunford, 1991; Dunford and Kafkalas, 1992) which although holding implications for both regions and European cohesion, do not necessarily support the emergence of a Europe of self-sustaining regional economies.

A Localised Europe? Flexible Specialisation and Industrial Districts[21]

The strongest suggestion that we are witnessing a return to place in the organisation of production, and which is suggestive of the feasibility for a Europe of the Regions, comes from a number of writers who forecast that from the crisis in Fordism will emerge locally agglomerated production systems. This foresees a return to some form of Smithian division of labour between self-contained, product-specialist regional economies. Their case draws initially from the work of Piore and Sabel (1984), Scott and Storper (1987) and Scott (1988), and Hirst and Zeitlin (1989; 1991), and is based upon the concepts of *flexible specialisation* and *flexible accumulation* to depict the new era of vertically-disintegrated and locally-fixed production. It also draws heavily on specific case studies of regional and local economic success stories.[22]

Their argument is that the crisis in Fordism has been caused by the break up of mass markets which formed a crisis in both mass production and mass consumption. Fordism is being replaced by a consumer driven alternative, where consumption patterns have become increasingly fragmented, increasing demands for greater choice, requiring more flexible production methods, and increasing the numbers of new products and thus reducing product life cycles. Traditional Fordist means of production are unable to meet these demands, as they have concentrated on economies of scale. Increasingly flexible patterns of production require the fragmentation of the production process, that is, a deverticalisation of the division of labour and the decentralisation of coordination and control, functional and numerical flexibility of labour, and a greater emphasis on increased innovation, skills, and the use of more polyvalent production systems.

It is argued that this transformation requires a return to place where there is 'a dependence on locational proximity between different agents involved in any production filière' (Amin and Malmberg 1992, p. 404; Amin and Robins 1990). The advantages of this system are reminiscent of Marshallian industrial districts where production was locally agglomerated and where benefits accrued from knowledge accumulation (Amin and Malmberg 1992, p.406). In addition to this return to a traditional economy, there are: reductions in transport and transaction costs; the build up of a concentration of know-how; and most closely linked to the Marshallian districts and to the empirical evidence upon which these theses draw, the existence of a social structure and culture which stimulates labour flexibility and social cooperation (Puttnam 1993). The industrial districts also contain a local infrastructure beneficial to this system of production, such as sophisticated distribution networks and specialist supplier networks. This system of self-contained regional economies with distinct product specialisms would thus draw on advantages accruing from Myrdalian cumulative causation and on economies of agglomeration.

The wealth of empirical emphasis presented in support of the industrial districts thesis is drawn from nearly all of the high-growth, high-technology regions in the major industrial nations; which it is argued have restructured their production processes in forms which are 'Marshallian in their spatial dynamics' (Amin and Malmberg 1992, p.404). Included in their case evidence is that leading edge large engineering companies in Baden-Württemberg, such as Bosch, rely on local supplier chains for their flexibility and innovative excellence. The flexible specialisation theses are important for their rationale equates industrial renovation with territorial development: one reason why they have become so enticing for some regional policy makers.[23]

A Localised Europe? Innovation Networks and Learning Regions

The network thesis or paradigm (Cooke and Morgan 1993) does not attempt to provide an all-encompassing explanation of a new dominant paradigm in industrial production, as those discussed above do. Rather it is an 'analytical framework for understanding new trends in corporate and spatial development' (Cooke and Morgan 1993, p.543). It develops Williamson's work (1975) by distinguishing networks from both markets and hierarchies where:[24]

> in network modes of resource allocation, transactions occur neither through discrete exchanges nor by administrative fiat, but through networks of individuals or institutions engaged in reciprocal, preferential, mutually

> supportive actions. Networks can be complex: they involve neither the explicit criteria of the market, nor the well-organised routines of the hierarchy. A basic assumption of network relationships is that parties are mutually dependent on resources controlled by another, and there are gains to be had by the pooling of resources. In network forms of resource allocation, individual units exist not by themselves, but in relation to other units. These relationships take considerable effort to establish and sustain, thus they constrain both partners' ability to adapt to changing circumstances. As networks evolve, it may become more economically sensible to exercise *voice* rather than *exit*. Benefits and burdens come to be shared. Complementarity and accommodation are the cornerstones of successful production networks (Powell 1990, p 78).[25]

In a similar fashion to the empirical evidence presented in support of the rise of regional economies, networks also have spatial implications. In particular, the apparent strengthening of inter-firm networks in a context of heightened global competition and the emergence of 'new economies of time (shorter product life-cycles and moves towards permanent innovation)' (Cooke and Morgan 1993, p.553) implies that spatial proximity between customers and suppliers may be increasing in value. However, it is also true that advanced communication networks, can mean that spatial proximity to achieve networked gains is no longer necessary for some parts of corporate activity. For instance Chesnais (1988) suggests that commercial (sales, strategic and financial) or scientific networks could as easily take place over a long distance.[26]

Cooke and Morgan (1993) and Crevoisier (1993) suggest that the provision of public services, either by authorities, quangos or the private sector play a crucial part in the establishment of such networks. They emphasise that the provision of localised or regionalised services, in such areas as technical training centres, financial institutions, chambers of commerce etc. are important devices for the creation of networks: what they also emphasise is that the interaction between public and private bodies can sustain the innovative milieux. In conclusion, Cooke and Morgan (1993 p.562) state that:

> the key elements of the networked region include: a thick layering of public and private industrial support institutions, high-grade labour-market intelligence and associated vocational training, rapid diffusion of technology transfer, a high degree of inter-firm networking and, above all, receptive firms well disposed towards innovation.

Innovation networks go beyond a theoretical re-working of new forms of production. By emphasising the role which public authorities play in stimulating local economic development and in the case of the innovative networks, the role they play in stimulating innovation, innovation networks also attempt to explain the role of large firms and intra-firm relations in the economic development of an area. As the principal justification for a Europe of economic regions, network theses have also been appealing to policy makers at different levels of government.

A Localised Europe? A Critique

The flexible specialisation theorists go on to make generalised claims about contemporary change in the production system. This opens up their analyses to be challenged in a number of areas. To suggest that we are witnessing a pervasive and total change in the organisation or production towards local production complexes in the post Fordist economy is not borne out by the current organisation of production nor by recent restructuring by multi-national corporations (MNCs). Amin and Malmberg (1992) suggest that these challenges can be made in four areas.

1. There are a number of areas whose economies have not radically altered over time: they have perhaps adopted new methods of production or information technology, but they have not altered radically. The first group of these may be termed world cities and include financial centres such as Paris, London, Frankfurt, Stuttgart and Milan; a second group might be those economies which have adapted their industrial base but where the organisation of production remains based around a few core industries, for instance Baden-Württemberg or Piedmont; the final group are those rural areas which have grown rapidly in the 1980s, due to the capital-intensification of agricultural production, in-migration by commuters looking for life-style improvements (made possible through improvements in transport links) and the development of light industry. Such areas might include: East Anglia; Oberpfalz and Oberfranken in Bavaria; Pays de la Loire; and Veneto.[27]

2. The rise of the new industrial districts is proving to be a short-lived phenomenon. As with Marshall's textile and cutlery districts, the new industrial districts are fragmenting internally under pressures from the external economy

(Bianchini, 1991). For example, the technology complex of Silicon Valley is changing from a research intensive area under the impact of inward investment by non-US (typically Japanese) MNCs (Saxenian 1994), increasing the external linkages of firms in the area. In the case of the Third Italy, local firms are developing external linkages and forging coalitions with overseas firms. Neither of these developments may spell the end of their economic success, but the rationale on which that success was based is proving more difficult to sustain.

3. It is difficult to transfer localised production complexes to other regions in the form of models of economic development. This has been attempted by some of the European Union's regional policies to stimulate entrepreneurial activity in its lagging regions, or the attempts to replicate the success of technopoles in other regions. Regional policies too often cannot achieve the critical mass necessary to embed a local production complex and stimulate a surge in local entrepreneurial activity (Amin 1992, p.135). The factors which have stimulated the success in other areas are too often specific to those areas. Critical mass takes time to develop and appears to be rooted in a particular region's socio-institutional and historical development.

4. Most importantly, there is no conclusive evidence that the trend towards a localisation of activity is due to the demise of Fordism. MNCs appear to be far more capable of adopting new and more flexible methods of production than indigenous small firms, and this suggests that MNCs will remain the loci of economic change (Amin 1992, p.137). Indeed, if 'localities are on the march' (Cooke and Imrie 1989, p.326) then it is to the 'tune of globalising forces . . . in which local economic sustainability is far from guaranteed' (Amin and Malmberg 1992, p.406).

However, the arguments of Amin and Malmberg do not suggest that the role of regions in economic development is unimportant and that the process of structural economic change does not hold significant implications for regional inequalities. Although individual regions may not become the foci for future economic dynamism, regions in a number of ways will be able to capture some of the benefits from technological change and possibly use this to their advantage. Whilst accepting the rejection of the flexible specialisation theorists, the work on economic networks

(Cooke and Morgan) does appear to offer opportunities for regions to influence their economic development.

1.3.5 The Impact of European Economic Integration Policy on a New Economic Geography

Although some regions are restructuring their economies, European economic integration appears to produce a set of processes which prevents such restructuring in every region. The 1994 Competition Report (EC 1995a) stated that two aims of the Single Market were: firstly, the removal of regulatory trade barriers, and thereby to remove 'the main obstacles to trade between member states which stem from the behaviour of firms or from practices by member states wishing to grant privileges or aid to some of their enterprises' (EC 1995a, p.19); and secondly, 'to open up sectors that still remain closed despite the establishment of the internal market' (for instance public utility provision) (EC 1995a, p.19). Competition Policy is at the forefront of current economic integration. It is forcing a significant part of European industry to undergo sizeable restructuring. Alongside which, Articles 92 and 93 of the Treaty, on State Aids from member states, have been strengthened. This rules out a sizeable part of intervention which would have been deemed commonplace before the Single European Act. Although the Single Market aims at achieving a level playing field for competition across the European Union, it is apparent that it also places far greater short term pressures on some regions and sectors than others.[28] These pressures are further compounded by the restrictions imposed by the Maastricht convergence criteria.

These trends represent the dominant neo-liberal and deflationary agenda which has been at the forefront of debates on European integration since the end of the 1980s. However, within the confines of the Single European Act and the Maastricht convergence criteria, economic and social cohesion has come to represent the moral high ground in these debates. This is reflected in the establishment in the Maastricht Treaty (CEC 1993b) of the economic and social cohesion pillar which gave the European Commission new competencies in this area. The document which attempted to bridge these divergent paths of integration was the Delors White Paper (CEC 1993c) *Growth, Competitiveness and Employment*. The White Paper contained a number of themes with the overall aim to narrow the competitiveness gap of the European Union with the United States and East Asia.

One of the themes of the White Paper was the need for the gains from economic integration to be shared more evenly across all Member States. The White Paper saw the strengthening of proposals for the Trans European Networks (TENs) (CEC 1992a, b, c) as one of the means to achieve this. Coupled to the establishment of the Cohesion Fund at the Edinburgh Summit in 1992, the European Commission was given the resources to develop the TENs in the four least developed member states of the European Union: through this all territory would be given equal access to the single market.

However, it is questionable whether the TENs will give all regions equal access to the single market and thereby reduce disparities. Indeed, the TENs may serve to entrench existing disparities. That is, the core and more economically dynamic regions already have dense and sophisticated transport and telematics networks. Extending these to the less favoured regions might increase the periphery's access to the core, but it will also serve to allow firms in the core regions to better exploit cost advantages available in the periphery and serve peripheral markets better from the core.

These processes along with those lying behind the economic rise of regions are all indicative of the emerging economic geography of the European Union. In their present form they are also more likely to entrench or increase existing economic disparities. The impact of the spatial expression of the product life cycle (where the innovating region retains significant advantages), the agglomeration of activity, and the introduction of modern communications technologies tend to reinforce existing economic hierarchies. These hierarchies may take different forms, for instance as some industrially declining areas are better able than other industrial declining regions to attract the branch plants of high technology firms. As Begg and Mayes argue:

> integration is expected to engender spatially imbalanced growth, with more competitive regions in the Community gaining the most. Even if no region loses absolutely, the cohesion of the EC may well be jeopardised if it becomes clear that the process of integration offers more to some than to others (Begg and Mayes 1991; cited in Begg and Mayes 1993, p.434).

Begg and Mayes' analysis does not dispute the existence of long term neo-classical convergence mechanisms which will be strengthened by greater integration. However, in the short to medium term further economic integration disrupts the operation of these mechanisms. The challenge for European Union cohesion would therefore appear to be how the short to medium term effects of integration can be managed so that no regions lose out. This is the context against which the Structural Funds are implemented.

1.3.6 Conclusion: The Policy implications of Changing Patterns of Regional Economic Development

The notion that the nation state is in command of its national economy and regional economies has been increasingly under attack (Amin and Tomaney 1995a, p.171). Political changes, for instance the ratification of the Treaty of European Union, and economic changes, such as the processes of globalisation, are leading the extent of national sovereignty to be questioned. For instance, Jessop (1994) argues that the nation state has been hollowed-out under the processes of globalisation. That is, an increasingly integrated global economy limits the scope of the nation state to intervene successfully in its own economy. Driven by these forces, nation states are transferring sovereignty upwards to supranational institutions (including the European Union) and downwards to subnational authorities and agencies.

Explanations of economic convergence and divergence, regional economic growth, and the very measurement of disparities between regions are contested. The aim of this thesis is not to contribute to these explanations. However, there are certain issues which economic strategies would be expected to address. These explanations can inform an analysis of how policy actors at different governmental levels set specific aims for regional economic strategies.

Amounting to a very small percentage of European Union GDP (1.27 per cent by 1999), the Structural Funds and the Cohesion Fund together are far from the automatic stabilisers required of a Euro-Keynesian solution of fiscal federalism (MacDougall 1977; MacKay 1993): as such 'EU regional policy corresponds very closely to the supply-side orientation of the neo-liberal orthodoxy' (Amin and Tomaney 1995a, p.177) with direct subsidies to labour and capital being rejected. Instead, the current trend, encapsulated in the Delors report (CEC 1993c), is towards investment in infrastructure, both in hard transport and communications works (such as the TENs) and soft human capital. In addition the Commission favours decentralised industrial policies encouraging local and regional entrepreneurialism (CEC 1990).

This section has shown that the changing pattern of regional economic development is complex. Policy makers at different levels of government have varying levels of influence on the processes which create particular patterns of economic development. Accepting the hollowing-out thesis, it can be supposed that the control that all levels of government can have on the economy will be increasingly incomplete. What this thesis examines is, in the field of regional policy, how different levels of government interact to form and implement regional economic strategies. This section has raised the following issues which face regional policy makers:

1. Neoclassical convergence mechanisms have led to convergence between regions, albeit at a painfully slow rate. This has been calculated to be approximately two per cent per annum over the long term (Barro and Sala-i-Martin 1990; Armstrong 1995).

2. However, there is now strong evidence to suggest that the neoclassical convergence process has stalled in the last 25 years (Armstrong 1995). There are competing explanations for this: some which suggest that convergence will resume after a period of economic and corporate restructuring (Amin and Tomaney 1995b); others which suggest that the very process of restructuring engenders the prolonged existence of disparities between regions (Dunford and Perrons 1993).

3. There is some evidence to suggest that convergence and divergence are occurring simultaneously (Cheshire and Carbonaro 1995). However, the existence of 'convergence clubs' cannot be proved (Armstrong 1995). A hypothesis which can be made from this argument is that while there is overall convergence (especially in the presence of European Union-wide economic growth) certain regions are diverging from this trend.

4. Explanations of why growth in particular regions is higher than in similar regions are contested. However, increased importance has been given to: the stock of human capital (Puttnam 1993); the ability to exploit process and product innovations (Dosi, Freeman and Fabiani, 1994); and the spatial imprint of corporate restructuring (for instance, the impact of multi-regional firms).[29]

5. Many of the new reasons given for economic growth lie outside the ability of local and regional policy makers to influence. However, one core argument running through many of these reasons, is that the existence of regional institutions, and moreover the particular relationship between institutions, to form and implement strategies, does appear to make some difference (Amin and Tomaney 1995b; Hudson 1997).

There are severe limitations on the opportunities for policy makers to alter the pattern of economic development in the short term. Intuitively, it is unlikely that a region will succeed in radically changing its growth prospects in the short to medium term (five to 15 years). This should condition the strategies regional policy makers choose and the time horizon for the intended impact of their strategies. Moreover, regional policy makers, with the limited resources they have at their disposal, will be able to affect only a small segment of their economies. Assuming that the model economic strategy of lagging regions would be to maximise the potential to catch up, the above issues imply that these strategies should concentrate resources to achieve these aims. How this occurs in practice, is the central empirical issue which this thesis addresses. This section has provided the context in which different levels of government attempt to form and implement regional policies.

1.4 Framework of Analysis

1.4.1 Introduction

This section develops the framework of analysis which is used to examine the original empirical material contained in this thesis. A central tenet which this framework will be used to examine is that the balance of political influence in the policy making process of the European Union has changed and that supranational institutions and subnational authorities now have greater influence vis-à-vis the executives of the member states. This has important implications for how European Union governance is explained, especially when explanations in the past were based on the primacy of state and intergovernmental institutions. This statement raises two particular issues which differentiate the multilevel governance-policy networks framework developed in this thesis from state-centric approaches. Firstly, multi-level governance accepts that non-state and non-intergovernmental policy actors can act autonomously of intergovernmental institutions to affect policy outcomes. Secondly, multi-level governance focuses on policy actors rather than institutions such as the state. However, while multi-level governance can offer useful insights into European Union integration, it lacks clear tools of analysis on its own with which to examine policy implementation. This thesis develops one such tool of analysis by drawing on policy networks literature.

From this perspective the primary research for this thesis, in the form of regional case studies, focuses on two particular elements of Structural Funds implementation:

1. that the Structural Funds have become a contested policy area, where actors at European Union, national and subnational levels manoeuvre to influence and own different elements of the policy making process - this study argues that European regional policy making cannot now be explained by using intergovernmental models of policy making; and

2. that although such manoeuvring is primarily in the decision making stages of policy making (that is, the agreement to the regulations and the fixing of budget allocations) it is also to be found in the implementation of the policy

in the regions. Moreover, the study of implementation has often been a neglected aspect of European Union policy making.

The empirical investigation in this thesis does not focus solely on *process* issues such as European Union governance or partnership, rather, it recognises that any analysis should be contextualised against the causes of economic integration and disparities between regions. A draw-back with multi-level governance (and indeed intergovermental institutionalism)[30] is that it is rooted in a political science conception of international organisations which leave certain factors as *external* - in particular the effect of structural economic change and economic liberalisation (see Sandholtz and Zysman 1989). The focus on policy *implementation* of the Structural Funds is therefore accompanied by an analysis of the *formation* of the regional economic strategies which underpin the delivery of the funds.

Macro theories of European political integration (namely multi-level governance) can be used in the study of policy implementation. This thesis does this by using the *meso* level analytical approach of policy networks as developed by Marsh and Rhodes. This approach has already been applied in a recent discussion of European Union regional policy implementation in the United Kingdom (Bache 1996; Bache, George and Rhodes 1996). However, the analysis presented here differs from the work of Bache *et al.* in that it contextualises the emerging multi-level networks against explanations of economic convergence and regional economic development.

1.4.2 Multi Level Governance: the interaction and enmeshing of levels of government

The multi-level explanation of the changing governance of the European Union argues that policy making between supranational, intergovernmental, national and subnational actors has become increasingly enmeshed. Moreover it explains why *Europe* has become more important for its regions. At the same time, regions appear to be acquiring new functions to implement economic development policies.

Although whether this is the most appropriate tier of government to implement these policies is questionable.

Chapter two examines the evolution of European regional policies in terms of competing theories of European integration:[31] namely, institutional intergovernmentalism (Pollack 1995; Moravcsik 1993) and multi-level governance (Marks 1993; Hooghe 1996; Marks, Hooghe and Blank 1996). It demonstrates how the 1988 reforms to the Structural Funds have been interpreted, incorrectly, as supporting the development of a Europe of the Regions. The discussion of institutional intergovernmentalism and multi-level governance also reveals that member states through the Council of Ministers and other institutions retain significant control over the outcomes of policy implementation, thereby qualifying many of the arguments put forward by the Europe of the Regions protagonists. That is, although, *prima facie*, single decisions may appear as *victories* for the Commission (and regions), the study of a policy area over time reveals how member states continue to be the *gatekeeper* (Hoffman 1966; Bache 1995; Bache 1996).

This thesis locates the boundaries of the current multi-level theorisation of European integration, arguing that both the Commission and subnational authorities can act autonomously of the machinery of inter-governmental bargaining. As Marks, Hooghe and Blank argue in light of a recent French Conseil d'Etat report:[32]

> A significant number of initiatives originate in the European Parliament, Economic and Social Committee, regional governments and various private and public-interest groups . . . (S)uch data should be evaluated carefully. For one thing, regulatory initiative at national and European levels is increasingly intermeshed (Marks, Hooghe and Blank 1996, p.357).

In contrast, institutional intergovernmentalism can only provide a partial explanation of such a proposition, because it is a state-centric approach based on a neo-realist concept of international institutions. As Moravcsik sets out:

> The basic claim . . . is that the EC can be analysed as a successful intergovernmental regime designed to manage economic interdependence through negotiated policy coordination . . . An understanding of the preferences and power of its member states is a logical starting point for analysis (Moravcsik 1993, p.474).

He goes on to suggest that:

> The unique institutional structure of the EC is acceptable to national governments only insofar as it strengthens, rather than weakens, their control over domestic affairs, permitting them to attain goals otherwise unachievable (Moravcsik 1993, p.507).

Chapter two argues that there are a number of problems with such an intergovernmental portrayal of the European Union institutions. Foremost amongst these are institutional intergovernmentalism's *under-theorisation* of the European Commission, the European Court of Justice, and the European Parliament's autonomous role in policy-making. It is an important issue which Pollack begins to address and an issue Bache takes further at the end of his thesis (in the context of regional policy):

> The Commission has some independence over regional policy making through its enhanced agenda setting powers - and this includes influence over the institutional context - and that the play in which the Commission acts is co-authored, but all the evidence at this stage suggests that national governments contribute the bulk of the script (Bache 1996, p. 359).

While accepting the general tenor of this argument, this thesis seeks to take an alternative line to that presented by Bache. It accepts his fine and nuanced analysis of the additionality dispute between the United Kingdom and the European Commission over the payment of additional funds by the member state (discussed in chapter two). However, it argues that in other areas of Structural Funds implementation, the reform and subsequent implementation of the Structural Funds demonstrate that European integration in certain areas weakens the grip of the member state. It therefore builds on the characterisation of the European Union as a multi-level polity set out above. It does so by taking an actor-centric approach as opposed to one based on the actions of institutions[34] and by examining policy implementation in political (the development of horizontal and vertical partnerships) and economic terms (the strategies the partnerships form).

Marks, Hooghe and Blank (1996) divide the policy-making process into four sequential stages: *policy initiation*, *decision-making*, *implementation* and *adjudication*. Chapter two examines the first two of these phases in the context of the evolution of the Structural Funds. The case studies consider the implementation phase of the Structural Funds and as such explore areas which are as yet untouched by the main proponents of multi-level governance. For instance, Hooghe (1996) bases most of her arguments around the principle of *Partnership* in the 1989 reforms and the 1993 revisions to the Structural Funds.[35] This gave sufficient scope for Bache (1996) to argue that the revisions to the principle of Partnership in 1993 which gave back certain competencies to the member state were in support of institutional intergovernmentalism. However, chapter two begins to take this further and suggests:

> It is the very delivery and spending on projects for regional/local economic development and the role played by each of the four principles (partnership, additionality, concentration and programming) which structure the implementation of the Structural Funds.

What is important therefore is not so much 'how regional partnerships operate' but rather how they operate to form and implement regional economic strategies. In essence this extends Hooghe's analysis of partnership to include programming. The effect of this is to broaden the analysis of the role of regions in European Union policy implementation to include the formation of economic strategies.

The Bache thesis, which considers the additionality of the Structural Funds in the United Kingdom, focuses on public actors (that is from Commission through central state executive to the local authorities). Although the largest part of the Structural Funds do indeed go to local and regional authorities, along with central government departments, these funds have gone increasingly to a range of private and semi-public concerns, albeit with the principal sponsor being from the public sector.[36] These new actors have not simply been recipients of the European largesse which the Structural Funds provide but have also been actively engaged in the regional partnerships which underpin the delivery of the programmes. This implies that the framework of analysis needs to capture the changing nature of regional and local economic partnerships. The framework of analysis must therefore capture the panoply of different types of organisations, each with different preferences which form a variety of relationships with each other. Policy networks appear to provide a tool for doing this.

1.4.3 Policy Networks as a Tool for Analysing Policy Implementation

The Policy Networks Literature

There is a wide and disparate literature on networks spanning the economic and social sciences. It is not the aim of this research to review all of this literature. Instead, the focus is on identifying how policy networks, the distinct analytical tool developed predominantly by British political scientists, can be used in conjunction with multi level governance to explain certain policy outcomes in the implementation of the Structural Funds.

The argument outlined here draws an important distinction between partnership as an organisational structure and network as a mode of governance. For authors such as Mayntz (1991) networks are underpinned by mutual benefit, trust and reciprocity. As such they represent an alternative means by which social and political coordination is conducted (Börzel 1998, p.255). This reflects the distinctions made by Williamson (1985) on the role and function of markets, hierarchies and networks. That is, partnerships may embrace the tools of markets and hierarchies, in addition to those of networks. Although Structural Funds policy makers may equate the language of partnership with the terminology of networks, in reality it is likely that policy implementation will take place through each of the three modes of governance. However, it is an important tenet of this thesis that networks of policy actors do effect policy outcomes alongside both markets and hierarchies.

One of the principal criticisms of policy networks is that they have limited explanatory powers. In particular they are not able to link the 'nature of the policy network' with the 'character and outcome of the policy process' (Börzel 1998, p. 266). However Börzel goes on to argue that there is an increasing body of work which has convincingly demonstrated that 'different policy actors involved in policy making are able to co-ordinate interests through non-hierarchical bargaining' (1998, p. 266). In particular this has allowed policy networks to conceptualise emerging political structures as incarnations of 'governing without government'. Despite this many of the Dowding's (1995) fundamental criticisms of policy networks still hold. That is, the established Rhodes-March model of policy networks provides a typology of different types of network, but does not explain the characteristics of the actors in the network, Undertaking this ought to provide policy network analyses with some explanatory capacity. These analytical weaknesses are returned to at the end of this section.

Accepting Dowding's arguments that the model is useful as a diagnostic aid in categorising different network types I address two areas raised by Rhodes and Marsh (1992, p.203) as being underdeveloped in the policy networks literature. That is, as tools of analysis for comparative (cross national) research, and the importance of information as a resource in policy networks. For instance, the extent to which policy networks are a mechanism through which policy innovations are transmitted. For example, how one actor with a specific conception of how the Structural Funds should be spent, is able to transmit that conception or idea into implementation.

The Rhodes Power-Dependence Model

The Policy Network model used in this thesis is derived from the work of Marsh and Rhodes. Most policy networks analyses have examined policy making in Britain although increasingly they are being used in conjunction with macro theories of European Union integration such as multi-level governance or institutional intergovernmentalism (Bache 1996; Peterson 1994; Rhodes, Bache and George 1996). In contributing to this debate, Conzelmann (1995) argues that:

> the academic debate on policy networks has its analytical and intellectual sources in research on the possibilities of societal control by policy actors . . . Central to policy networks is the production of public policies in multiple-actor sets which are inter-related not by means of authority but by mutual resource dependencies (Conzelmann 1995, p. 139).[37]

This thesis does not test the theoretical validity of policy networks analysis in explaining or predicting policy outcomes. Rather, policy networks are used as a tool to frame the study of policy implementation. It is used because it is capable of capturing an array of actors at different governmental levels (subnational etc.) and with different competencies who are all involved in the implementation of a single policy.

A policy network is a set of resource-dependent organisations in which different agencies are linked in a:

> game in which all participants manoeuvre for advantage. Each uses its resources, whether constitutional-legal, organisational, financial, political or informational, to maximise influence over outcomes while trying to avoid becoming dependent on other players (Rhodes *et al.* 1996, p.368).

As these games play out, patterns of resource dependency emerge. This allows not only the policy network to be characterised, but also the location and mobilisation of resources to be mapped. The concept of the *exchange relationship* is important to understanding policy making for Rhodes (Rhodes 1990, p. 19) and is the basis for the policy network being a *meso level concept.* That is, 'it offers a model of interest group intermediation: that is, a model of the relationship between interests and government' (Rhodes and March 1992, p.182).[38]

Policy networks range from tightly integrated *policy communities* to loosely coupled *issue networks*. For policy networks approaches to form more than mere tools for sketching out the relations within and between institutions, the concept of power dependence is introduced, in what Rhodes (1981) calls a *power-dependence framework.* In this framework 'differences in the distribution of resources within a network explain why some members are more powerful than others. Differences in the distribution of resources explain why networks differ from one another' (Rhodes *et al.* 1996, p.368).[39]

Differences arise in policy networks due to the type of members, the type of resources at their command and the resulting degree of interdependence between members.[40] Thus a policy community exists where there are 'few members all of whom command needed resources and when either economic or professional interests dominate' (Rhodes *et al.* 1996, p.370). An issue network exists 'when there are many members of the network and resources are widely distributed' (Rhodes *et al.*, p.370). The resource exchanges of a policy community produce a positive-sum game; that is, everybody wins. The consultative relationships of an issue network produce a zero-sum game; that is, somebody is likely to lose. However Rhodes and Marsh do not suggest that issue networks and policy communities be used in a prescriptive way (Rhodes and Marsh 1992, p.187) but rather the characteristics of each be used as a diagnostic tool, principally because no policy area is likely to fit neatly into either category.

Resources may take a number of forms, legal, organisational, financial, political or informational. In the context of the Structural Funds they can be defined as follows.

- *Legal Resources*: control over the setting, implementation and interpretation of the regulations;
- *Organisational Resources*: loosely defined as the capacity of an organisation to implement a policy;
- *Financial Resources*: control, in some way, over the size and disbursement of the funds;
- *Political Resources*: in this context, defined as the strength of linkages to another organisation or actor (possibly external to the partnership) which can exert pressure on another, rival, organisation in the partnership;
- *Informational Resources*: loosely defined as the *knowledge* one actor has at its disposal which it can mobilise to support its negotiating position with the other actors.

The aim in applying policy networks analysis is, in the first instance, to examine the patterns of resource allocation between different actors and whether these shape how actors mobilise resources to increase or decrease their resource dependency to implement a particular policy. The result of this analysis should be the definition of the policy network which is formed, either as an issue network or as a policy community. However, a working question has been which resources are mobilised to form regional economic strategies. This means that the mobilisation of these resources is considered not only in terms of the processes of European Union governance, but also in how they reflect wider political and economic changes.

Rhodes *et al.* (1996, p.370) are clear as to how policy networks should be applied. They call policy-networks a 'meso-level concept', that is it aids macro theories, but on its own has limited predictive powers. That is it 'does not attempt to explain variations in policy making and policy outcomes, although it forms part of such an explanation' (Rhodes *et al.* 1996, p.370). Importantly, it recognises that policy change is not just a function of internal factors (i.e. resource interdependencies) but also external factors such as the political and economic environment: 'in sum, it is a tool for analysing the policy process and interest group intermediation' (Rhodes *et al.* 1996, p.370).[41]

Many of the central policy networks studies (Rhodes 1986; Smith 1993) observed that the close network of actors found particularly in policy communities is held to be a source of *inertia*. However, much of the literature on networks, particularly in economics, suggests that they can in fact form the basis for sustained policy innovation. How and when this may occur is a central question for explaining the evolution of the Structural Funds. In addition unlike the wider networks literature, the most extensive work on policy networks has been conducted in the United Kingdom and examined domestic policy making; although it has been belatedly applied to policy making in the European Union. While examining European Union policy making this thesis also uses policy networks to explain the operation of partnerships in the United Kingdom and France - therefore using them for comparative purposes.

Policy Networks Analyses of the European Union

In the study of European Union policy making, policy networks analysis has been recognised as an important tool, although their application has not always been consistent. In particular they have been used to *describe* European Union policy making (see for instance, Peters 1992, p.77): for instance in the role of subnational authorities in European Union policy making, Rhodes (1996) points to the 'emerging triadic relationship between central, local and supranational governments, and suggests there are "emergent" policy networks in some policy areas' (cited in Rhodes *et al.* p.371).[42] These explanations highlight how networks do not recognise institutional boundaries and policy emerges through a struggle between different groups.

Rhodes also places the early theorisation of multi-level governance (Marks 1992, 1993) in the category of descriptive approaches to European Union policy making (Rhodes *et al.* 1996). Moreover, he takes issue with Marks' inferences to policy networks, where Marks' interpretation of the 1988 reforms is of 'creating policy networks that encompass subnational governments and private interests in individual regions' (Marks 1992, p.192). In Marks' use of multi-level governance several layers of government are 'enmeshed in territorially overarching policy networks' (Marks 1993 p.392 and p.402). Rhodes finds two major faults with this analysis. The first is that although the 1988 reforms have generated greater region-Commission activity, this is limited to the level of policy *participation* and is not extended to the *outcomes* of decision making. Secondly, Marks' work avoids the theory laden application of policy networks, and as such, multi-level governance is used to capture the changing processes of European Union governance. However, it is not used to analyse why these processes have changed or why there are variations.[43]

Although the accurate description of European Union policy making is important, policy networks are also intended to be used as tools for *analysing* policy making. The most notable (according to Rhodes *et al.* 1996) are by Anderson and Peterson. Anderson (1990) explicitly applies the Rhodes' (1988) notion that networks represent clusters of public and private agencies exchanging resources. Focusing on the domestic implementation of the ERDF, he argues:

> The EC, which 'commands resources, distributes benefits, allocates markets, and adjudicates between conflicting interests' (Wallace 1982, p61), can alter domestic networks by affecting the inter-member distribution of resources, and thus their level of interdependence. Community initiatives can increase, decrease or leave unchanged the resource dependencies of network members (Anderson 1990, p.422).

Comparing British and German responses to the reforms of the ERDF since 1979, he concluded that the ERDF reforms exposed 'resource dependencies previously of little consequence,' especially 'the lack of administrative capacity to develop joint projects' (Anderson 1990, p.442). Thus:

> British subnational actors became more dependent on central government because the shift of emphasis to programmes instead of projects encouraged the regional offices of the Department of the Environment to play a proactive or 'maternal' role in mobilising local authorities (Rhodes *et al.* 1996, p.373).

However, there are two problems with Anderson's analysis. First, his article, published just three years after the reforms, is unable to take account of the impact of partnership in enabling sub-national authorities to develop networks. Second, by concentrating on domestic networks, he was unable to examine and compare the strength of the links between subnational authorities and the Commission.[44]

In the conclusion of Rhodes *et al.* (1996) it is suggested that the term policy network can be used in a number of ways.[45] However, they are specific as to the intended use of policy networks as a set of resource dependent organisations. This means that a theory impregnated concept of policy networks has several advantages. It can be used in *conjunction* with a macro-theory of European political integration such as multi-level governance because it allows the resource dependencies through different tiers of government and across public and private agencies to be mapped. It therefore allows the policy process to be studied at national and supranational levels and to compare variations across policy sectors. As a 'meso-level' theory it is useful for analysing '*who gets what, when, where and how*' (Rhodes *et al.* 1996, p.17). However, it lacks the strong predictive elements of state-centric theories such as liberal intergovernmentalism. It is also of limited use in explaining the constitutive or history-making decisions of the European Union (Peterson 1994, p.7), although it may help to define how the policy agenda is set.

Policy Networks and the Structural Funds

Using policy networks to explain Structural Funds policy outcomes, the principal avenue of inquiry of this thesis is to examine how the 1988 reforms changed the 'rules of the game' for different actors in existing Structural Funds policy networks. Central to this is the institutional reform which led to the funds being run through partnerships: something Hooghe calls the 'core of the script' (Hooghe 1996, p.89). This has set up the question of whether by mobilising regional interests, the role of the member state has been undermined. As Anderson suggests:

> The strengthened ERDF clearly has the potential to alter the resource interdependencies of domestic network participants in member states, and thus to transform existing relationships between government agencies and their policy clienteles in the provinces. In the first place, the reforms place additional administrative burdens and the threat of legal sanctions on national-policy makers which could render them more dependent on sub-national groups, whose co-operation, information, and organisational capacities are required to assemble acceptable development programmes and Community Support Frameworks (CSFs) (Anderson 1990, pp. 430-431).

Bache *et al.* (1996) see a secondary question to this as the role played by the European Commission in mobilising regional-level networks. Burch and Holliday (1994) reflect this finding when they highlight the Commission's role in fostering regional partnerships responsible for the implementation of the funds:

> In particular, the activities of DG XVI . . . are starting to disadvantage - it can be put no more strongly than that - member states which do not have a regional tier of government, *or institutions which can act as regional tiers of government* (Burch and Holliday 1994, p. 29, emphasis added).

The rationale for this is either that the Commission is attempting to increase the technocratic efficiency of the Structural Funds' implementation, or it is trying to create a power centre to increase its opportunities for bypassing central government. Following the argument of Burch and Holliday, it is probably attempting to do both.

However, policy network approaches have a number of draw backs. As their proponents acknowledge they provide useful tools for depicting how policy is implemented. In conjunction with the application of power dependency models they can provide partial explanations for policy outcomes. Also they can strengthen analyses when used in conjunction with macro theories of European integration. This thesis therefore seeks to define the limitations of policy networks as tools of analysis.

1.5 Research Design and Method

1.5.1 Introduction

The case studies of Yorkshire and Humberside, and Lorraine examine the implementation of a policy which involves the European Commission, the central state and subnational authorities and agencies. However, the subnational structures through which regional policy is implemented vary. Therefore the case studies use Sharpe's (1993) approach for comparing policy implementation, by defining the 'policy space' in which European regional policies are implemented.[46] As the competencies of different subnational authorities vary greatly this provides a basis for the comparative study of regional economic policy implementation.

The advantage of comparing the implementation of the European Union Structural Funds in two Member States is that a common set of regulations govern their implementation across the European Union.[47] Studies which compare different sets of regional institutions face a considerable draw back in that the policy as well as the institutional environment will normally vary. By examining the implementation of an European Union, and common policy, a number of variables can be held constant.

It is not possible, nor is it the aim of this thesis, to provide a conclusive ex post evaluation of the Structural Funds' impact, because the economic outcomes (for instance job creation or increased competitiveness) in many cases are still to materialise. The focus of the case studies is on the formation of economic strategies in the two regions. To do this, two of the four principles of the Structural Funds, (namely partnership and programming), are considered. Focusing on both partnership and programming allows, how the Structural Funds drive new economic strategies, or indeed feed into existing economic strategies, to be examined. Chapter two argues that the history of European regional policy and in particular that of the Structural Funds has been, and continues to be, very fluid. As a policy area aimed at reducing social and economic disparities between regions, European regional policy must respond to the causes of such disparities.

1.5.2 Selection of Case Study Regions

The old economic geography of Lorraine and Yorkshire and Humberside, based on coal, iron and steel, and textile industries are similar. As these industries have gone into decline, and more importantly as other industries have not replaced them, the regions have faced severe economic and social problems. Both national and European regional policies have targeted such regions as requiring assistance for industrial change. Lorraine, and Yorkshire and Humberside have therefore become recipients of substantial Objective 2 funds.[48]

However, in terms of their position in a new economic geography of the European Union important differences are evident. Despite having a similar industrial history, the two regions have been affected in different ways by the process of economic liberalisation and structural economic change. Although the two regions are eligible for Objective 2 funds (for regions suffering from industrial decline), their prospects for development are very different. As a result of this, the policy actors in both regions face different possibilities and problems for implementing policies to foster structural economic change.

The selection of the case studies is justified for the following reasons:

1. The focus of the study of policy implementation is Objective 2 of the Structural Funds. The funds allocated to this Objective target parts of regions which have suffered the decline of their traditional manufacturing industries. The choice of region is therefore shaped by a need to select regions which receive substantial support from this Objective.

2. The second focus stems from the increasing attention paid to regional economic issues in the United Kingdom. The other case study therefore needs to be of a member state of a similar size and with a not dissimilar administrative system. This enables the United Kingdom, a unitary state (prior to devolution to Scotland and Wales), to be compared with a country which has a regional rather than a federal system of administration. France therefore provides an ideal choice, particularly because it has implemented a series of regional reforms during the 1980s.

3. A third choice is the spatial scale at which the analysis should take place. The standard planning regions in the United Kingdom are the most appropriate focus for analysis. This is partly because they have become the level which the United Kingdom's nascent regionalism is concentrated on, for instance with the establishment of Regional Assemblies and Government Offices in England. However, United Kingdom standard planning regions are considerably larger than French regions. For instance there are eight standard planning regions in the United Kingdom (all NUTS I) and 22 regions in France (all NUTS II). However, the French regions hold similar competencies to those which are emerging for United Kingdom regions, particularly those of England. Moreover, Objective 2 programmes are planned and implemented on this scale.

Overall, although Yorkshire and Humberside is much larger than Lorraine, many of the problems the two regions face are similar. Therefore the starting points for the development of economic strategies for the European Union's Structural Funds should be similar.

This thesis is not a comparative study of regional institutions and/or the study of economic readjustment of particular regions. Instead it focuses on how policy implementation varies when there are different configurations of subnational, national and supranational policy networks. The case studies therefore attempt to provide new insights into the implementation of policies aimed at tackling regional economic disparities.

1.5.3 METHODOLOGY

In a recent book edited by Hooghe (1996) many of the contributors investigate the area of 'structural programming' (i.e. Structural Funds implementation): typically for the 1989-93 period rather than implementation after 1993. Therefore there is little opportunity for the authors to consider the impact of structural programming over the life of two programming periods. Chapter two argues that the direction and sophistication of the Structural Funds radically changed after 1993. The aim of the case studies in this thesis is to closely examine the implications of this change in scope and sophistication for the 1994-96 programming period.

To examine the implementation of the Structural Funds the following questions were developed to direct the case studies. These fall into three groups: variation in European Union policy implementation in two member states; the patterns of resource mobilisation in Structural Funds implementation; and the formation of regional economic strategies.

1. Variation in Policy Implementation between the United Kingdom and France

- Does the existence of a regional tier of government (or actors which can act as a regional tier of government) reduce the extent to which the Structural Funds (and thereby the European Commission) drive the formation of economic strategies?
- To what extent does the existence of a regional tier of government (albeit a weak one in the case of France) affect a region's capacity to form and implement an economic strategy?

2. Resource Mobilisation in the Implementation of the Structural Funds

- Why do (Objective 2) regions develop the economic strategies they do?
- Does using policy networks in a multi-level governance analysis allow the extent to which supranational (e.g. the European Commission) and national (e.g. government departments) impact upon the policy's implementation to be explored?
- Do these policy actors alter the operation of regional partnerships by affecting the inter-member distribution of resources (e.g. competencies) and thus the level of interdependence of actors in policy networks?
- Do stronger policy actors, such as the European Commission or a central government department, alter the formation of partnerships to better realise their own policy objectives?

- What is the strength of the links between subnational authorities and the European Commission and government departments?

- Do these links enable or prevent subnational authorities from developing regional economic strategies?

3. Formation of Regional Economic Strategies

- The capacity of the Framework of Analysis to capture the panoply of different types of organisations which are involved in policy implementation.

- Using policy networks approaches the question in the context of this thesis is not so much, 'how regional partnerships operate' but rather 'how they operate to form and implement regional economic strategies?'

- How are the policy implications of regional economic convergence and growth mediated by the Structural Funds partnerships to form economic strategies?

One of the insights provided by policy networks has been its capacity to highlight the *informal* relationships between policy actors in determining policy outcomes. The focus here is instead on the *formal* partnerships (mostly constituted in some way through a commonly agreed text on their role and reporting structure). This is justified for two reasons. Firstly, the importance placed on the establishment of formal partnerships in the *programming* stages of the Structural Funds implementation: for instance the requirement for: Programming Monitoring Committees; Project Appraisal Committees; and Programme Secretariats, often staffed with partnership secondees. Secondly, and reflecting this point, is the issue of gaining access to primary source materials. The researcher was given access to many of the papers of the aforementioned groups and to much official correspondence. Obtaining access to informal networks and papers, although feasible, would have greatly reduced the breadth of this research project.

1.5.4 INTER RELATED STAGES OF POLICY MAKING AND IMPLEMENTATION

Marks (1996) summarises the phases of European Union cohesion policy from each of the contributions to Hooghe's edited work (Hooghe 1996). The following provides a schematic overview of his arguments.

Table 1.1 Phases of Policy Making

		Political Influence of Actors		
		Central Governments	Subnational Governments	European Commission
Budgetary Envelope		strong	insignificant	weak
Institutional Context	Institutional design	weak	insignificant to moderate depending on country	strong
	Eligibility of regions for funding	strong	insignificant	moderate
Policy-making	Cohesion Fund	strong	insignificant	weak to moderate depending on country
	Community Support Frameworks	weak to strong depending on country	weak to strong depending on country	weak to moderate depending on country
	Community Initiatives	weak	weak	strong

Marks (1996), 'Describing and Explaining Variation in EU Cohesion Policy' p.390.[49]

The agreement of the broad documents (the Community Support Frameworks) which govern policy implementation Marks refers to policy making. Marks simple table (below) explains the influence of different partners in the area of structural programming over the 1989-93 period. The following abstract shows the variations in France and the United Kingdom.

Table 1.2 Political influence in structural programming, 1989-93

		Political Influence of Actors			
		Central Governments	Regional Governments	Local Governments	European Commission
France	Stage 1	strong	weak	weak	insignificant
	Stage 2	strong	insignificant	insignificant	weak
	Stage 3	strong	weak	weak	moderate
	Stage 4	strong	weak	weak	weak
United Kingdom	Stage 1	strong	insignificant	insignificant	insignificant
	Stage 2	strong	insignificant	insignificant	weak
	Stage 3	strong	insignificant	weak	weak
	Stage 4	strong	insignificant	weak	moderate

Marks (1996), 'Describing and Explaining Variation in EU Cohesion Policy' p.407 (extract).

The stages he uses can be explained as follows:

Stage 1: The first stage of structural programming involved the formulation of national or, more commonly, regional development plans by member-state governments that became the basis of negotiation with the Commission.

Stage 2: Regional development plans were hammered into formal contracts allocating European Union resources - Community Support Frameworks - in negotiation between individual member states and the Commission.

Stage 3: CSFs were negotiated into Operational Programmes (OPs), which detail specific projects that were to be funded to achieve the general priorities set out in the CSFs. At this stage subnational partners were brought back into the process.

Stage 4: Implementation and Monitoring of Operational Programmes. At this stage the wide and varied range of potential recipients of funds was brought into the process.

Marks (1996) refers to policy networks in a descriptive sense, eschewing the theory laden approach of Rhodes, Bache and George (1996). His task is to describe this diversity and attempt to explain variations in decision-making across different countries. The approach taken here is similar, although the focus is on two regions. This enables a more detailed analysis to be made of the implementation process, and at the end of each chapter, the more theory laden approaches of policy networks are used to structure the conclusions which are drawn. However, as many of the networks through which policy are emerging are still relatively new, the approach taken tends towards a descriptive use of policy networks.

A further difference to the methodology used by Marks is in the stages of Structural Funds implementation which were examined. Following the analysis of Structural Funds policy making at the supranational level, the case studies examine four dimensions and six stages of policy implementation.

A. Background to previous Structural Funds support in the regions

Stage 1: This summarises much of the existing work (either in formal evaluations of regional policy or in studies such as the one by Marks) on the programming and partnership of the Objective 2 funds prior to 1993. This material provides the context and the initial starting position for the comparative study of Lorraine, and Yorkshire and Humberside.

B. Money and Maps: more than redistributive bargains?

Stage 2: Funding allocation to the member states and eligible areas. Although the 1993 revisions to the Structural Funds sought to increase the transparency of this process, they also altered the balance of power (formal and informal) between the different partners. If the European Commission and/or subnational authorities were becoming more influential, then it might be expected that they would attempt to affect budgetary allocations to better realise their policy objectives.

C. Preparing, Negotiating and Implementing Regional Economic Strategies

Stage 3: Preparation (or formulation) of the Single Programming Documents (SPD). In a break with the 1989-93 period, Stages 2 and 3 (using Marks' schema) were merged so that each region was drawn more formally into the process of developing a regional economic strategy. This potentially gave the European Commission and regional partners the opportunity to shape policies together prior to a negotiation with the member state executive.

Stage 4: Negotiation of the Single Programming Documents. Although there were differences in the formal powers of the partners negotiating the documents, all partners from local authorities to the European Commission were present at this stage. This stage should show which partners, had what level of resources, what forms these took, and how they were able to mobilise them in negotiation. There was also a clear outcome from this stage in the form of the agreed Single Programming Document.

Stage 5: Implementation of the Single Programming Documents. This stage was concerned with the establishment of monitoring committees and arrangements for the selection of projects. Similar to Stage 4, policy outcomes should reflect the resources at each of the partners' disposal and how and whether they chose to mobilise them.

D. Wider constraints: competing policy areas and rival policy actors

Stage 6: The wider context in each region. Variations on policy implementation may be due to region or nation-specific issues. This stage therefore assesses whether certain developments were due other policies or institutions. This stage allows the outcomes which were produced at Stages 1-5 to be assessed against wider developments in each of the regions and member states.

Dividing the case studies by theme allows comparative conclusions, with respect to the theoretical framework of the thesis, to be developed step-by-step. This reduces the risk of the analysis being masked by description. The focus at each stage is on the following: firstly using the analytical approaches to explain the differences of regional policy implementation in the United Kingdom and France; and secondly using these findings to comment on the macro theories of European political integration developed at the beginning of the next chapter.

1.5.5 Research Data Sources

The research method used for this study is wide-ranging. The secondary sources examined reflect the breadth of the thesis and draw from theoretical work on European political integration, policy implementation and recent advances in economic geography. In addition, the burgeoning literature on the Structural Funds, and more generally on regional policy, were studied. The breadth of material consulted is reflected in the Bibliography. Considerable attention was given to the literature (in economics and politics) on a Europe of the Regions. It is however the literatures on multi level governance and policy networks which were drawn on most extensively to establish the framework of analysis. Details of the research which was conducted for the thesis are presented in appendix 1.

Table 1.3: List of Sources Used

1.	Secondary Literature;
2.	European Union, National and Regional Official Reports, Policy Documents and Press Cuttings;
3.	Draft and Final Single Programming Documents, Community Support Frameworks and Operational Programmes (1989-1997) in the United Kingdom and France;
4.	Minutes and Papers from Meetings of Regional Partnerships (from Programme Monitoring Committee level to Project Appraisal Levels) and correspondence;
5.	Economic Development Literature in the two regions;
6.	Formal ex ante, interim and ex post evaluations of the Structural Funds in the United Kingdom and France (1989-1997);
7.	Semi-structured interviews with policy actors;
8.	'Participant Observation' in both DG XVI and in Yorkshire and Humberside.

Table 1.3 indicates the diversity of empirical sources used. The public policy documentation examined was wide ranging, and although focusing on Structural Funds issues in the period 1989-1997, also covered other policy developments. These included urban and regional regeneration policies in the United Kingdom and France, but also developments in European Union employment, competition, state aids and anti fraud policy. This material is used throughout the thesis and guided the use of other source materials.

The focus for the implementation of the Structural Funds from 1994 has been the Single Programming Document (SPD). These documents are agreed as Commission Decisions to establish the areas on which the Structural Funds will be spent. They contain complex economic, financial and broader policy information. To establish commonalties and differences between regions SPDs were collected in draft and final form from an array of regions in the United Kingdom and France. In addition the SPD's forerunners (Community Support Frameworks and Operational Programmes) were also collected and examined. I was also granted access in both regions to examine the formal minutes, papers and correspondence of the Programme Monitoring Committee meetings, Project Appraisal Groups as well as the documentation from other strategic or operational bodies. This material was supported by economic development literature on Yorkshire and Humberside, and Lorraine which was either provided locally or from CSO/ONS, INSEE and EUROSTAT. Of more relevance, however, were the ex ante, interim and ex post evaluations of Structural Funds programmes in the two case study regions and elsewhere. The evaluations were used as the basis of Chapter Three but also informed the interviews for the other parts of the research.

Semi-structured interviews were used with policy officers instead of more formal surveys or questionnaires. The strength of this approach was that the research could respond to a policy area which was emerging very rapidly during the research: the use of questionnaires may have risked making the results of less relevance. The interviews focused on: i. the type and role of partnerships which had and which were emerging; and ii. the process by which the economic strategies which were formed by these partnerships. The general focus on policy officers, rather than senior policy makers, was deliberate because this group were more closely involved with policy implementation.

In addition to these sources of data the author also participated in two areas of Structural Funds policy making. In 1996 the author was a *stagiaire* in the United Kingdom Unit of DG XVI at the European Commission and during 1997 the author was part of a consortium of academics and practitioners from across Yorkshire and Humberside who undertook an extended *action research* project on the Objective 2 programme. Both activities gave a unique insight into two levels of Structural Funds policy making and have informed many of the conclusions which are drawn by this thesis. However it should be stated that both forms of *participant observation* followed on from the core of the research which was undertaken in 1994 and 1995. Moreover, journal records of this period were not made and therefore the research data gathered is very much from an *informal* participant observation and is only valid because it is used in conjunction with other sources.

1.6 THESIS STRUCTURE

This chapter has developed the framework of analysis which is used to present the findings of the primary research for this thesis. This framework seeks to examine how policy actors at different levels of the political system (from supranational institutions to subnational authorities) are becoming increasingly enmeshed in cross-cutting networks. This has important implications for how European Union political integration is explained, especially when explanations in the past were based on the primacy of state and intergovernmental institutions.

Using policy networks analysis in conjunction with multi-level governance analysis, allows this thesis to explore the extent to which the European Commission is able to alter the networks involved in regional partnerships. This is through examining how the Commission is able to affect the distribution of resources between actors. The research question thereby formulated is, when and how are certain actors, in particular the Commission, able to alter the operation of partnerships. The main outcome of these partnerships is an economic strategy. Ownership and control of this strategy is important for many policy actors - for local and regional agencies because it brings with it financial resources, for the Commission because it is the mechanism for implementing its Cohesion Policies, and should reflect its policy objectives. Formally, the European Commission's policy objectives are set in European treaties and law (directives and case law) and through agreements in the Council of Ministers and European Summits. However, within these overaching objectives, it will be argued that the Commission is capable of independent action. When it exercises this action is an important working question for this research. This raises two further issues which are addressed. Firstly, what is the strength and durability of the links between sub national authorities and the Commission and secondly, what impact does this partnership have on enabling subnational authorities to develop partnerships.

Chapter Two sets out the capacity of state-centric and multi level governance models to explain the development of European Union regional policy. *Chapter Two* argues that while the evolution of the big decisions (i.e. the agreement to the European Union budget and the Structural Funds regulations) can be explained in a state-centric model, this only explains part of the evolution of this policy area. Rather, the cumulative effect of small decisions and of policy implementation have long lasting implications, and these can only be explained by considering the European Union as a multi-level polity.

However, the theoretical developments in European political integration (including multi-level governance) fail to provide a complete theory of the causes of integration and in particular to explain the relationship between political integration and economic liberalisation. This, it is argued, is central to analysing the political economy of European Union cohesion policy in the 1990s. In particular, the chapter seeks to define a number of areas which need to be incorporated to fully explain the evolution of the Structural Funds. This is important for examining the implementation of regional policies, because they are not only shaped by political relations but also must respond to what is driving changes in economic development.

Chapters Three to Eight present the findings from research into the implementation of the Structural Funds. They focus on the Programming and Partnership of the Objective 2 Structural Funds and in particular the development of Single Programming Documents for the 1994-96 period. Each of these chapters corresponds to the Stages set out in the section on *Research Design.*

Chapter Three sets out the background to previous Structural Funds support in the regions (1989-1993). It considers the development of partnerships during this period and the sophistication of economic strategies. It argues that the sets of relations between different levels of government (including supranational) show considerable differences in France and the United Kingdom. *Chapter Four* discusses the allocation of Structural Funds to member states and regions. Previous research has given considerable attention to the politics of allocating European Union resources. Contrary to the findings of the conclusions of this earlier work, the findings in this thesis suggest that allocations were due more to decisions taken in previous programmes and to a consensus not to radically change the allocation of the Structural Funds.

In *Chapter Five* the preparation and formulation of regional economic strategies is considered. It contrasts the approaches taken in the United Kingdom and France, but goes on to demonstrate the differing approaches of the Commission to the two member states. The research then examines the process by which horizontal partnerships operated to design strategies. *Chapter Six* considers the negotiation of regional economic strategies with the European Commission. In contrast to *Chapter Five*, it focuses on the mobilisation of resources in vertical networks between subnational authorities, the member states and the European Commission. The implementation of the regional economic strategies is considered next (*Chapter Seven*). Implementation represents the final part of the *preparation-negotiation-implementation* cycle and represents the most appropriate stage for assessing the impact of resource mobilisation from previous stages. It finds evidence of limited change in France, unsurprisingly, but of new implementation arrangements in the United Kingdom, although it is questionable whether this is accompanied by deeper institutional changes.

Chapter Eight considers two sets of factors which affect the implementation of the European Union's regional policies, both supranationally and regionally. The first set concerns the involvement of the private sector in regional policy programmes. Surprisingly, while the Structural Funds have supported local agencies and their intermediary agencies, they have rarely engaged the private sector directly. However, attempts to do so radically alter the framework in which the Structural Funds operate - typically because new tools of regulation need to be adopted in the regions, but also because, within the Commission, DG XVI's competencies are incomplete in this area, and it loses some independence as other policy areas are paramount (e.g. Competition and State Aids Policy). The second part of *Chapter Eight* considers the diversity of non-Structural Funds partnerships in Lorraine. This complements the findings of the earlier chapters in that relations between partner organisations (at central state, region and local levels) demonstrate a high degree of consensus and stability.

Chapter Nine summarises the conclusions of each chapter. It also provides an outline of developments towards the end of the 1994-96 programming period and emerging trends in the two regions at the beginning of the 1997-99 programming period. It then outlines the principal conclusions of the thesis in the following three areas: i. the variation in European Union policy implementation between the United Kingdom and France; ii. resource mobilisation in the implementation of the Structural Funds in the two regions; and iii. the formation of regional economic strategies. It then asks what future there is for a Europe of the Regions and speculates on future research agenda for European Union regional policies in light of further integration which involves enlargement to eastern Europe, monetary union and future institutional change. It argues that such processes produce sets of *constraints* as to how a specific policy (e.g. the Structural Funds) is implemented. However, within these constraints, the supranational institutions (in the case of the Structural Funds, the European Commission) have *opportunities* to shape distinctive and *quasi-autonomous* policy responses: for instance by drawing from new explanations of regional growth or by transferring practice from one member state to another.

NOTES

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[1]For most of the nineteenth and twentieth centuries, the European opponents of the liberal nation state and the ideas of Revolution (traditionalists, federalists and regionalists) 'were small elites who did not have much impact on the political and economic processes of modern capitalism' (Gras and Livet 1977; cited in Loughlin 1993, p. 10). However, the interwar period saw the appearance of federalist movements which tried to modernise the ideology of their predecessors. Their greatest development came in France where they reacted to the perceived decay of the Third Republic. The federalist movements did this by trying to 'give what had been traditionalist or conservative reactionary ideas a new form, drawing on contemporary philosophical traditions such as catholic *personalisme*, Mounier 1947, and authors such as Proudhon' (Loughlin 1993, p.12). These interwar movements were however to remain on the periphery and to become further marginalised, often only finding sanctuary in Resistance groups, as the nation state rose in its most virulent form under national socialism in the 1930s and early 1940s.

[2]Although in the immediate post-war period nation states were to reassert themselves, there was an increasing openness to federalist ideas, particularly in the formerly occupied countries of western Europe. Combined with Europeanist solutions, federalism was seen as a means to curb any future re-emergence of a virulent and aggressive nation state. Moreover the form of federalism promoted by people such as Alexandre Marc, Altiero Spinelli and others implied a large measure of decentralism and regionalism, where 'regionalists therefore could eventually link with the federalist groups' (Loughlin 1993, p.11). However the role they actually played in the post-war integration of Europe must be questioned. The most important aspect of the unity between regionalists and federalists was that they helped make possible the laying of the foundations of European integration. Although neither Schuman nor Monnet belonged to federalist groups, both were sympathetic to the notion and the potential for some kind of federal Europe incorporating some regionalised system.

[3]The other development towards a new configuration of the state has been the rise of territorial politics in the post war period, and the influence of new social movements in bringing about this change. These issues are not examined in any detail by this thesis. Loughlin (1993, p.13) suggests that the supporters of regionalism can be divided into two groups: moderate and radical regionalists. The moderate regionalists emphasise the need to spread 'the benefits of the welfare state' to the whole of the economy, through active policies of regional redistribution. Throughout the 1950s and 1960s this took the form of a regionalisation of activities which had previously been the preserve of the central state. This concept of regionalism fitted well with the technocratic preoccupations of planners in France and Italy, and to a lesser extent in the United Kingdom. However such regionalisation of the state was for the sole aim of achieving greater technocratic efficiency and not to pander to any ideological regionalism or separatism. Both Schmidt (1991) and Hayward (1983) discuss the case of France at length. The second group of regionalists, the radical regionalists (Loughlin 1993), developed around new social movements such as ideological regionalists, ecologists and feminists, who called into question the existing organisation of the state and who sought its radical overhaul. At their extreme, these groups wanted the creation of new systems of government (i.e. secession), although most saw increasing regionalisation within some kind of federal Europe as meaning the eventual atrophy of the nation state and the emergence of a Europe of regions.

[4]Schmitter (1992) argues that the European Union is an unfinished, open and highly malleable polity in which there are multiple access points for different authorities and agencies. Hooghe and Keating (1994) and Marks (1993) argue that regions operate through a number of these access points. See also Mazey and Richardson (1993) for the different forms such as access can take.

[5]Germany and latterly Belgium provide interesting cases. Germany and to a lesser extent Belgium have constituted regions in a federal system. In the German case the Basic Law of 1948 gave the Länder (see Sharpe 1993 for details) powers vis-à-vis the federal state/Bund. Sassoon argues that 'to underline the ephemeral nature of the new state it was decided to draft a "Basic Law" (*Grundgesetz*) rather than a constitution (*Vefassing*)'. In explaining the decentralist impulse for the Basic Law, Sassoon suggests (p.130-1) 'the assumption of impending electoral victory also led the SPD to oppose the Christian Democrats demand for considerable decentralisation. This inevitably, would give the Land governments substantial powers over education. To the (largely Protestant) social democrats this meant giving Catholic clericalism control over the schools in Bavaria and most of the Rhineland. The regionalists were in turn supported by the Americans and the French; the Americans because they thought federalism was best, the French because they thought that non-centralist states were weak states, and they wanted Germany to be weak' (Sassoon 1996, p. 130).

[6]Indeed in discussing European integration since 1945, Milward argues that 'any new theoretical explanation of integration will have to start from a new set of basic assumptions in conformity with the facts which historical research has brought to light. Integration was not supersession of the nation state by another form of governance as the nation state became incapable, but was the creation of the European nation states themselves for their own purposes, an act of national will' (Milward 1992, p.18).

[7]For the purposes of Conzelmann's argument, and for this thesis, the focus on decision-space rather than institutions allows the United Kingdom to be brought into a comparative analysis, as formal regional government does not currently exist at the level of the standard planning regions.

[8]However, it is useful for explaining why regionalism can vary within countries. Thus within a relatively similar set of regional institutions, the regional decision space can take a range of forms with varying degrees of importance ascribed to different authorities and agencies. Spain and Italy are both instructive here as certain regions have made much more than others of the new powers granted to them. Of course certain regions, such as Catalonia and South Tyrol, have powers greater than those assigned to other regions within their respective member states.

[9]At an extreme, under-boundedness (from retaining out-dated boundaries) may force the designation of new jurisdictions of regional government, for example, to cover an entire metropolitan area. That is, as there is a requirement to administer services at a subnational level, the rational argument provides that they be transmitted through some form of regional government.

[10]The creation of new meso forms (between local and national), whether it be a new-style county or a new regional government, forms part of the restructuring process in the sense that it attempts to deal with extreme cases, that is, where the need for expansion both in population and geographic terms is at its greatest. Here there appears to have been a divergence in the paths between northern and southern Europe. Typically, the north European states have not created entirely new tiers of government but rather modernised their existing local systems (for example in the Scandinavian countries). In Southern Europe, by contrast, 'where the resistance of local government to modernisation was compounded by other factors peculiar to the Napoleonic, or *fused-hierarchy*, mode of central-local relations (France, Italy, Spain, Belgium), the *region* became an attractive option' (Sharpe 1993, p.9) as an alternative to both central and local government. The fused-hierarchy mode refers to the control of local affairs through the representative of the central state in the periphery. For instance in France the creation of departmental prefectures after 1789 created a rigid system of centre-periphery relations which was only redressed in the 1980s by the creation of new regional institutions.

[11]Whereas a significant part of regional autonomy may be due to ethnic heterogeneity, particularly in southern Europe and also to ideological factors, functional pressures could have independently led to the 'creation of some sort of meso in the long run' (Sharpe 1993, p.14). The introduction of regional planning often left the legacy of defining subsequent regionalisation, for instance in France, but also in the United Kingdom where the standard planning regions were given a new significance by the creation of integrated regional Government Offices in 1994.

[12]The explicit decentralisation-means-democracy policy of creating or strengthening existing institutions of regional government is not however the sole preserve of Scandinavian avant-gardism, for 'similar relatively low key decentralist aims are discernible in Germany in the late 1960s' (Hrbek 1986; cited in Sharpe 1993, p. 12) and it was also an explicit policy aim of the French Socialists, the former bastion of Jacobinism, after entering government in 1981.[12] Although not to the same extent as the about-turn performed by the French government, 'conceiving the new regions as a way of rejuvenating the well-springs of Italian democracy was also a contributory thread in the belated implementation of the regional clause in the Italian constitution in 1970' (Sharpe 1993, p.15). The regionalisation of France, Italy and Belgium must also be seen as being to some extent a response to result of the severe social disruptions of 1968, either *les évènements* in France, the *autunno caldo* in Italy or the student demonstrations in Leuven, Belgium.

[13]Keating describes variable geometry as a: 'highly differentiated state order in which the traditional categories, unitary state, federalism, confederation, sovereignty, separatism are transcended . . . in this context, with states losing some of their old monopolies and becoming mere actors in complex systems, territorial autonomy will depend less on the acquisition by regions of state like attributes and competencies, by devolution or separatism, than on the constitution of their civil societies . . . Some sub national territories will have considerable scope for autonomous action in the interstices of the national and international order, blurring the distinction between independence and internal autonomy. Others will be reduced to new forms of dependence, on the national state or the international market (Keating 1992, p.60).

[14]The *Cohesion Report* states that 'economic activity is strongly concentrated in the most urbanised areas of the Community . . . although inner city areas have some of the most serious social and economic problems in the Union' (European Commission 1996a, p. 24). Armstrong (1995) has found that the United Kingdom did not follow the European Union wide pattern of disparities increasing

during the early 1990s recession. This finding perhaps stems from the nature of this recession in the 1990s as the severest downturn was experienced in the South East of England.

[15]Begg and Mayes found that: 'Labour market indicators also show substantial divergence, often exacerbated by differences in natural rates of population growth. Thus the unemployment rate in 1990 ranged from 13 per cent in the South of Spain and 17 per cent in Ireland and the South of Italy to 3 per cent in Baden-Württemberg and 1.5 per cent in Luxembourg (CEC 1991b) with a standard deviation of 5 percentage points for the Community's Level 1 disaggregation of regions. By contrast, in the US in 1989, the spread was from 2.6 per cent in Hawaii to 8.6 per cent in West Virginia (US Bureau of the Census, 1991), with a standard deviation of just 1.33 percentage points' (Begg and Mayes 1993, p. 430).

[16]Although published in 1994 the report is based on statistics referring to 1991.

[17]The European Union's Nomenclature of Territorial Units for Statistics (referred to by the French acronym, NUTS) in its first level of regional disaggregation (Level 1) distinguishes 63 'regions', some of which such as Ireland, Portugal or Denmark, are entire countries. Regional GDP per head in 1989, measured in 'purchasing power standards', a unit which attempts to adjust for different national price levels, ranges from around 50 per cent of the Community average in Portugal and parts of Greece to well over 150 per cent in prosperous urban regions such as Brussels, the Île-de-France and Hamburg (CEC 1991b). Purchasing Power Standards are more commonly used than raw ECU data. PPS take account of the cost of living in different member states. Compared to ECU per capita measures they tend to show lower levels of disparities between the regions.

[18]The location of the growth regions would tend to support the underlying argument of the paper in terms of the restructuring of corporate activity in the European Union. That is employment in high value added sectors (R & D, new industrial sectors, producer services) has been clustered close to the economic core. While this has not been actually in the traditionally strong metropoles it is still very close by (for instance, the economic growth of Swaben, Mittelfranken, Veneto etc.).

[19]For example under Article 10 (for Innovative and Pilot Studies) of the European Regional Development Fund substantial support has been given to disadvantaged regions to develops Regional Innovation Strategies along the lines set out by earlier studies into the European Union's most innovative and dynamic regions (EC 1995c).

[20]The location of Fordist activity was not dependent on fixture to one locality or on local linkages, and therefore production was considered to be footloose. Instead, the hierarchical structure of multinational corporations (MNCs) was fixed in an urban hierarchy with headquarters in capitals and branch plants in the periphery. However, it is argued that the new era is likely to be characterised by increasing linkages to particular localities. For instance, the decentralisation of management within MNCs will favour growing ties to localities and such decentralisation could raise the potential for greater local embeddedness of the division of labour (Grabher 1993). This scenario suggests that in the post-Fordist landscape there will be great potential for self-sustaining regional economies, although with high levels of connectivity to other regions. This stands starkly against the Fordist demarcation of space which was dominated by MNCs controlled and embedded in a few metropolitan regions, controlling an array of branch plants in regions further down a hierarchy of economic development. However, the pervasiveness of Fordism as the unitary mode for the organisation of capitalism should be questioned: Fordist techniques were only applicable to certain forms of production and only fully accepted in certain countries.

[21]The phrase 'A localised Europe?' is taken from Amin and Malmberg (1992).

[22]The proto-typical regional case study is that of the Third Italy and in particular the industrial districts in Emilia Romagna which have experienced rapid economic growth since 1970 (Piore and Sabel, 1984).

[23]An important development in the industrial district thesis was made by Scott (1988), who examined the differences in the linkages between firms. For example, first he found that those linkages between small firms tend to be highly differentiated and contain a high degree of variation. These linkages are typically based on face-to-face contact and have an impetus towards the localisation of economic activity. That is, when supply chains rely on an array of contracts with a variety of firms, this can

cause costs to be highly sensitive to increasing the geographic dispersion of the supply chains. Scott argues that economic change is increasing the number of firms which require such high quality, and distance sensitive, linkages. Second, where production is more standardised, which it remains for many capital intensive forms of production, costs are less sensitive to distance and therefore there is less motivation to concentrate in one area. What the agglomeration theses do imply, however, is that the new industrial districts lead to higher growth and higher living standards. This point is disputed by Keeble (1989) in his analysis of the Cambridge phenomenon and by Murray's (1987) work on Emilia Romagna. That whilst there are undoubtedly higher growth and higher living standards, there is no rationale that these will necessarily be shared by all residents in the region.

[24]In 1975 Williamson argued that there are two forms of economic governance, markets and hierarchies. In the first, simple, discrete or non-repetitive transactions tend to be transacted through markets, whereas exchanges that involve uncertainty, recur frequently, or which require substantial transaction-specific investments are more likely to occur within the hierarchy of the firm. However, this polarisation is unable to account for all economic relationships; in particular, it does not account for economic activity which takes the form of inter-firm activity, for instance activities such as joint-ventures, strategic alliances or buyer-supplier partnerships. In Williamson's later formulation (1985), it was conceded that economic activity which might be transferred from the market to the hierarchy might equally be transferred to a third form of economic governance, namely, the network. What proponents of the network form argue is that they can overcome market imperfections which are normally outside the scope of both markets or hierarchies.

[25]Although the network form of organisation is often viewed solely as an inter-firm occurrence, Cooke and Morgan (1993, p.545) suggest that it need not be restricted to such relations, rather it can be treated more broadly and is applicable to intra-firm activities. By extending the use of networks to understand intra-firm relations, Cooke and Morgan breach the dichotomy in the study of organisations, that of large and small firms and thereby escape some of the problems encountered by proponents of industrial districts.

[26]Camagni (1991) has extended the network paradigm to include the transfer of tacit knowledge either between individuals, firms, or public and private bodies. He has developed the idea of the innovation network or the innovative milieux whereby regional economies achieve high levels of continuous innovation through close relationships between the aforementioned groups. That is, the relationship is not market based, as this would restrict transactions to what is tangible and can be more easily valued; nor is it through a hierarchy, as this is deemed to suppress innovation. It is therefore undertaken through network structures.

[27]These changes have less to do with changes in the production system per se and more to do with the evolving urban-settlement pattern across western Europe. Surveying recent population changes at the regional level Fielding (1994) finds that the west European settlement pattern has been remarkably stable since the 1970s, with the most significant changes occurring due to the lifestyle choices of former urban residents who have chosen to live in greener areas, often because transport access has improved commuter access.

[28]See for instance the *Resolution of the European Parliament on the Twenty-third Competition Report of the European Commission* (OJ C 89, 10.4.1995) under 'The interplay between competition policy and industry policy' which 'Considers that competition policy and industrial policy are instruments in the service of the ultimate goals of the European Union, namely the harmonious and balanced development of economic activities throughout the Community, sustainable and non-inflationary growth respecting the environment, a high degree of convergence in economic performance, a high level of employment and social protection, the raising of the standard and quality of life, and economic and social cohesion among Member States (Article 2 of the EC Treaty)' (EC 1995a, p. 265).

[29]This can be considered with respect to the location of the plants of multinational firms, or rather for the purposes of this discussion what might be termed *multi-regional companies* (MRCs). If it is acknowledged that such firms are organised on a hierarchical basis then MRCs would appear to have a number of in-built characteristics which may explain the relative prosperity of regions. As most branch plants can imitate superior technologies quite well this should not necessarily create a

problem, as relative prosperity should be maintained. However, this situation changes if a dynamic or feedback situation is considered. The central functions of the MRC are much more likely to require higher value-added functions (such as advanced producer services and subcontract research locally) and this, in turn, will create a greater number of spin-offs, increasing the total output of the *central* region. In the long term this will stimulate greater numbers of new company start-ups in the higher value added sectors.

[30]Moravcsik (1993) does attempt to incorporate economic liberalisation into his analysis of the Single European Act.

[31]Bache argues that they are in fact as complementary as they are conflictual and that there is now less clear water between the theories as their theorists suggest.

[32]Analysis of 500 recent directives and regulations by the European Commission found that only a minority of European Union proposals were spontaneous initiatives of the Commission. Regulatory initiative at the European level is demand driven rather than the product of supranational action, but the demands do not come alone from government leaders' (Marks *et al.* 1996, p.357)

[33]Although this is interesting, an alternative route might be to cite the work of Mazey and Richardson (1993) on lobbying in the European Community. In particular how lobbyists, including regions, can affect policy at the drafting stage in the Commission.

[34]Marks *et al.* argue 'It makes little sense to conceive of whole states or national governments as the key actors in European decision-making. One cannot assume that those serving in national governments give priority to sustaining the state as an institution. This is an empirical matter. Institutions influence the goals of those who hold positions of power within them, but it is unlikely that political actors will define their own preferences solely in terms of what will benefit their institution' (Marks *et al.* 1996, p.349). These conditions help define the boundaries and interpretation of the research presented here.

[35]Article 4 of the Structural Funds Framework Regulation states (EEC No. 2081/93): 'Community operations shall be such as to complement or contribute to corresponding national operations. They shall be established through close consultations between the Commission, the Member States concerned and the competent authorities and bodies - including, *within the framework of each Member State's national rules and current practices*, the economic and social partners, designated by the Member State at national, regional, local or other level, with all parties acting as partners in pursuit of a common goal. These consultations shall herein after be referred to as the "partnership". The partnership shall cover the preparation and financing, as well as the *ex ante* appraisal, monitoring and *ex post* evaluation of operations' (emphasis added).

[36]In the United Kingdom new recipients of funds have included private companies, companies limited by guarantee, various quangos, former public utilities as well as public authorities.

[37]Conzelmann draws on the following authors in his definition: Mayntz (1987 & 1991); Jordan (1990); van Waarden (1992, p. 31); and Peterson (1995, pp. 390-2). He goes on to cite the work of Kenis and Schneider, 'policy networks are mechanisms of political resource mobilisation in situations where the capacity for decision making, programme formulation and implementation is widely distributed or dispersed among public and private actors' (Kenis & Schneider 1991, p. 41).

[38]Kassim (1994) likens policy networks to the meso-level concepts of pluralism and corporatism, where: . . . a link between the micro-level of analysis, which deals with the role of interests and government in relation to particular policy decisions, and the macro-level of analysis, which is concerned with broader questions concerning the distribution of power within contemporary society' (Rhodes and March, 'Policy Networks' p.1; cited in Kassim 1994, p.17).

[39]The Rhodes (1981) power-dependence framework is based on five suppositions: a. Any organisation is *dependent* upon other organisations for *resources*; b. In order to achieve their *goals*, the organisations have to exchange resources; c. Although decision-making within the organisation is constrained by other organisations, the *dominant-coalition* retains some discretion. The *appreciative system* of the dominant coalition influences which relationships are seen as a problem and which resources will be sought; d. The dominant coalition employs strategies within known *rules of the*

game to regulate the *process of exchange*; e. Variations in the degree of *discretion* are a product of the goals and the relative power potential of interacting organisations. This relative power potential is a product of the resources of each organisation, of the rules of the game and of the process of exchange between organisations (Rhodes 1981, p. 88, emphasis in the original).

[40]van Waarden defines seven dimensions of policy networks: a. the number and type of actors; b. the function of networks; c. the structure of networks; d. their institutionalisation; e. their rules of conduct; f. the power relations contained within them; and g. the strategies of individual actors (van Waarden 1992, pp. 32-38). As Kenis and Schneider suggest: 'van Waarden thus offers an analytical device which enables us to account for national variations in policy networks dealing with the same policy' (Kenis and Schneider 1991, pp. 44-5).

[41]Conzelmann is more explicit on their use: 'making use of network dimensions, three individual policy networks can be constructed with regard to the three regions under research [North-Rhine Westphalia, Nord-Pas de Calais and North West England]. . . Although dealing with the same policy within the regions, namely the administration of EU structural aid through "partnership", the individual networks are likely to show variations in different of their dimensions'. These are understood to be dependent variables, which are influenced by two clusters of independent variables: first cluster - policy domain variables, as set down within the regulations; second cluster - country [or intervening] variables, relating to the different institutional structures of the nation state (Conzelmann 1995, p.141).

[42]Rhodes *et al.* (1996) identify four common features to these studies: a. they focus on policy implementation and not policy initiation; b. they stress the large differences between policy areas; c. they talk of incipient or emergent networks, not settled policy communities; d. they all recognise the need, in a complex, intergovernmental policy making system, to aggregate and co-ordinate the many affected public and private interests.

[43]Rhodes *et al.* (1996) do however concede in a footnote that the later work on multi-level governance does introduce notions of resource exchange. See for instance Marks, Hooghe and Blank (1996).

[44]This is central to Bache's analysis of the additionality dispute (Bache, 1995 & 1996).

[45]According to Rhodes *et al.* (1996, p.17) the term policy network can be used in four ways: a. as a metaphor, covering any policy which emerges from the interactions of several actors or institutions; b. to refer to personal links between decision makers; c. to refer to the links between public organisations and between public and private organisations needed to implement policy; d. to refer to a set of resource dependent organisations.

[46]See the earlier reference to Sharpe (1993) and the application of policy space by Conzelmann (1995). This allows regional policy to be studied where no formal tier of regional government exists.

[47]The regional policies of both member states are not the focus of this thesis, although they are often implemented through the same regional structures as the Structural Funds. In this context, the complementarity between the Structural Funds and the policies of both Member States is assessed, where actors manoeuvre for ownership and control of different policies.

[48]A history of the Structural Funds and other regional policy interventions in the regions is presented in the case studies themselves.

[49]For most Structural Fund objectives, the Community Support Frameworks and Operational Programmes were combined for the post 1994 programming period into Single Programming Documents.

2

THE EVOLUTION OF THE EUROPEAN UNION'S STRUCTURAL FUNDS

2.1 INTRODUCTION

Following the signing of the Single European Act (CEC 1986) the European Community reformed its principal instruments of cohesion and regional policy, the Structural Funds, in 1988. These reforms marked a turning point in the development of the Community's regional policy away from funds which had previously been used as inter-state transfers for supporting existing projects in the member states, towards policies which were to support programmed economic development in the less favoured regions. The reforms were also coupled to increased levels of funding from the Community's budget and with safeguards that this proportion would not be undermined by its other activities, especially its support for the Common Agricultural Policy (Coombes and Rees 1991). The reforms also, and perhaps most importantly, established cohesion policy in Community Regulations as the counterpart to the neo-liberal Single European Act.

The implementation of the Structural Funds reforms was to adhere to four principles; each of which had been absent under the previous system. These were: concentration of funds (whereby the majority of funds would be targeted at the least favoured regions); additionality (in that funds would have to be additional to both existing national and regional expenditure); programming (where the eligible regions through their member states would have to produce *ex ante* plans of how the funds would be co-ordinated with existing economic and social development in the regions); and partnership (which called upon the member state executive to implement the funds together with both the European Commission and the appropriate subnational authorities). For the first time this allowed many regional and local authorities to become active in developing economic activities not only with the European Commission but also with other regions in the Community. The reforms were thus heralded by many as marking the emergence of a Europe of the Regions, particularly those regions which had been presented with a new role. This was strengthened by both the European Commission's and the regions' reference to new developments in regional economic geography which emphasised the role of regions as the most appropriate territorial units for economic intervention.

The aim of this chapter is to examine the claims that the 1988 reforms not only gave a new role to the regions in economic development, but by giving them a role in a supranational policy area, that this was also indicative of the changing governance of the European polity. This chapter focuses not on the 1988 reforms *per se* but rather on the evolution of the Structural Funds from the signing of the Single European Act through to the implementation of the funds at present, in which the 1988 reforms were the single most important event. Most studies of the development of the European polity and specifically cohesion policy have either followed state-centric approaches posited on intergovernmentalism, or neo-functionalist arguments which give an autonomous role to supranational institutions such as the European Commission, or more recent variants of neo-functionalist analysis, in particular multi-level governance, which have given a role to subnational institutions. This chapter outlines both the intergovernmental and multi-level governance interpretations of integration but goes on to highlight the weaknesses both have in explaining the evolution of the Structural Funds.

Focusing on the principal aspects of the 1988 reforms, the chapter is set out as follows. Firstly, it outlines the competing interpretations of European political integration, namely intergovernmentalism and multi-level governance. Secondly, it outlines the agreement on the European Union budget which enabled the Structural Funds reforms to be made, based on inter-state transfers. Thirdly, it outlines the four principles embodied in the 1988 reforms, and especially the principles of programming and partnership, and how these have interpreted as being in support of a Europe of the regions. Fourth, changes in the implementation of the funds themselves are analysed, and in particular the role economic strategy has played in the evolution of European Union Structural Funds policy. This highlights the changing aims the European Commission, and especially those of its Directorate General for Regional Policy (DG XVI), has had for the implementation of the funds.

The chapter goes on to argue that it is the Commission's increasing influence on regional economic policy that reflects the extent to which the governance of the European polity has changed. A greater pragmatism on the part of the Commission is also reflected in this influence, in terms of the delivery of the funds, suggestive that fund delivery is responding more to differing regional and national circumstances, than to the Regulations. Meanwhile the economic policy emphasis in the European Commission has changed, reflected primarily by the Delors White Paper, but more specifically for regional cohesion policies, with the publication of *Europe 2000+* and a new emphasis placed on job creation. It is argued therefore, that the Commission's cohesion policy has shifted from being based on a Europe of the Regions, to a broader vision of a European spatial policy. In this the role the Commission and the regions play *vis-à-vis* the member states has certainly changed, but this is not consistent across all regions or throughout the European Commission. This presents a challenge for the theorisation of European political integration which generally has left structural economic change as external to the process of European governance.

2.2 Interpreting European Political Integration

Explanations of European integration, since the signing of the Treaty of Paris and the Treaty of Rome, have been divided between intergovernmentalism (Hoffmann 1966; Milward 1992) and neo-functionalism (Haas 1964).[1] The rejuvenation of European integration in the mid 1980s has refuelled these debates. In addition, the development of new tools of analysis in political science has supported renewed interest in interpreting European integration. Integovernmentalist approaches have taken on board the analytical tools of the rational choice literature and its analysis of how states form preferences and goals. This has been incorporated into Moravcsik's work on (liberal) intergovernmental institutionalism (Moravcsik 1993).

On the other hand, rapid European integration in the late 1950s and 1960s appeared to support the all encompassing interpretations which neo-functionalism offered. That is, that there was an internal dynamic to the integration process which would automatically lead to the Community taking over more and more activities from nation states. However, with the stagnation of new Community level policy initiative in the 1970s neo-functionalism became discredited: the anticipated spill-overs did not occur.

However, analytical approaches based on policy networks have supported the notion that, following the rejuvenation of European integration in the 1980s, there might be a dynamic to the process which sits outside the intergovernmental machinery of the European Council and the Council of Ministers. The development of policy networks analysis has contested some of the precepts of intergovernmentalism: in particular that member states have European Union institutions firmly under control. While not denying that states are the most powerful institutions in the integration process, policy networks analysis (Peterson, 1994) has shown that constellations of activity exist and operate independently of the intergovernmental system (the Council of Ministers and European Council). Such insights have informed the theorisation of the European Union as a multi-level rather than state-centric polity (Marks 1993; Hooghe 1996).

Multi-level governance and intergovernmental institutionalism are the most recent approaches to theorising the development of European Union. They draw on considerable theoretical work on European political integration. However, the aim of this thesis is not to trace the evolution of each of these theories, but to examine whether the evidence from the evolution of Structural Funds policy supports the assertions they make.[2] In this chapter all parts of the Structural Funds policy making process are considered, which includes budgetary decisions, regulatory and institutional design, and implementation. However, the following empirical investigation of the thesis is solely concerned with the implementation of this policy area.

2.2.1 INTERGOVERNMENTAL INSTITUTIONALISM

Central to intergovernmentalist or state-centric approaches is the assertion that further European integration does not challenge the autonomy of nation states (Milward 1992). Rather, state sovereignty is either conserved or enhanced by membership of the European Union. Membership of supranational institutions therefore serves the goals of state executives. In Moravcsik's liberal intergovernmentalist approach (see Caporaso 1996):

> The basic claim . . . is that the EC can be analysed as a successful intergovernmental regime designed to manage economic interdependence through negotiated policy co-ordination . . . An understanding of the preferences and power of its member states is a logical starting point for analysis (Moravcsik 1993, p.474).

As such 'the unique institutional structure of the EC is acceptable to national governments insofar as it strengthens, rather than weakens, their control over domestic affairs, permitting them to attain goals otherwise unachievable' (Moravcsik 1993, p.507).

Moravcsik's approach stresses the importance of power and interests. Intergovernmental institutionalism is based on three principles: intergovernmentalism, lowest common denominator bargaining, and strict limits on future transfers of sovereignty (Moravcsik 1991, p. 46). Intergovernmentalism refers to the process by which major initiatives are proposed and negotiated in the Council of Ministers and European Council. In these institutions, each of the member governments views the European Community 'through the lens of its own policy preferences' (Moravcsik 1991, p. 47). Domestic interests are therefore reflected in European Union politics.[3]

The second element of Moravcsik's intergovernmentalism, lowest common denominator bargaining, posits that the European Union is first and foremost an intergovernmental creation in which agreements and bargains are struck on the basis of the relative power positions of the member states (Moravcsik 1991, p. 47). This analysis reasons that the core goal of European integration is economic liberalisation, progress over which can be effectively vetoed or slowed by the larger member states. Any opposition from small member states can be bought off through side payments. Any prolonged disagreement over the core issues will be seen as expensive, both to the dissenting state and to the rest. The imperative will therefore be to reach consensus as quickly as possible and to meet the objections of all participants. Hence the lowest common denominator will in most cases appear to be the most attractive option.

Finally, integration will, by definition, involve some pooling of sovereignty. However, members protect against potential losses in the future by ensuring that any decisions will be taken by unanimity. Moreover, powers which are ceded to supranational bodies, such as the Commission, are always clearly defined.

Intergovernmental institutionalism does not attempt to provide an overarching theory of European integration, something which is conceded by Moravcsik (1991, p. 75). However his analysis affirms that 'the primary source of integration lies in the interests of the states themselves and the relative power each brings to Brussels' (Moravcsik 1991, p. 75).

State centric approaches argue that state executives operate in a *nested* system of governance (Marks, Hooghe and Blank 1996). That is, the state arena is discrete from intergovernmental institutions. Therefore, the '15 state executives bargaining in the European arena are complemented by 15 separate state arenas that provide the sole channel for domestic political interests at the European level' (Marks, Hooghe and Blank 1996, p.345). This is based on states or state leaders monopolising the interface between the arenas of European and domestic politics. Suggestions that non-state actors might exert pressure directly on the supranational institutions, which undermines such a *nested* structure, is rebutted by Moravcsik, 'even when societal interests are transnational, the principal form of their political expression remains national' (Moravcsik 1991, p. 26).

2.2.2 Multi-Level Governance

Multi-level governance accepts that state executives and state arenas remain the most important institutions in the European polity. However, it refutes the claim that member state executives are able to monopolise European level policy making. Marks, Hooghe and Blank (1996) give three reasons for this. Firstly, European supranational institutions, and in particular the Commission, the Court and the Parliament, act independently in influencing policy making and cannot be derived from their role as the agents of state executives (Marks, Hooghe and Blank 1996, p. 346). In examining policy making, state executives undoubtedly play an important role, but an independent role is also played by the supranational institutions.

Secondly, not all decision making is on a lowest common denominator basis. Whilst lowest common decisions may occur over areas such as the scope of integration, this does not represent the bulk of decision making. In areas such as Competition Policy and the regulation of standards (for health, products or labour) decisions normally have a zero sum character. That is, some states will win, others will lose.

Finally, political arenas are not nested, instead they are interconnected. While domestic arenas are undoubtedly important for forming state executive preferences, multi-level governance rejects that subnational interests will be nested neatly within these preferences. The division between domestic and international politics cannot be separated in this way (Marks, Hooghe and Blank 1996, p.346).

The crucial conceptual difference between multi-level governance and intergovernmental institutionalism is their basis of analysis. Multi-level governance differentiates between the state (i.e. an institution formed by a set of rules) and the particular individuals, groups and organisations which act within these institutional constraints (the actors). Multi-level governance therefore addresses why actors (including party leaders within national governments) may choose to change the institutional constraints which they face. For instance, further European integration might involve shifting the institutional competencies within the European Union.

Intergovernmental institutionalism would pose the more restricted question of why states give up sovereignty in the process of European integration. The focus on actors rather than institutions is therefore the principal conceptual difference between the two theoretical approaches. As Marks, Hooghe and Blank argue:

> The Commission and the Council are not on a par, but neither can their relationship be understood in principal-agent terms. Policy making in the EU is characterised by mutual dependence, complementary functions and overlapping competencies (Marks, Hooghe and Blank 1996, p. 371).

The *raison d'être* of the multi-level governance approach to European integration is that it accepts that the allocation of 'competencies between national and supranational actors is ambiguous and contested' (Marks, Hooghe and Blank 1996, p. 372). As such it rejects that multi-level governance represents the stable equilibrium for the future.

This position reflects Marks' (1993) earlier arguments where he draws upon policy networks literature to set out the evolution of European integration. He argues that 'the creation of new networks of interaction, influence, and policy making spanning subnational governments, member states, and the EC complicate institution building in the European Community' (Marks 1993, p. 404). Instead, what is emerging is a 'more complex, open-textured, and fluid situation in which subnational governments [and other non-state interests] interact both with the EC and cross-nationally' (Marks 1993, p.404).

However, Marks' (1993) and Hooghe's (1996) work also shows that the pattern of policy making at different levels, while becoming increasingly intermeshed, does vary: there are wide variations across member states and across different policy areas. Much of this variation is historically rooted in the institutions of each member state. However, multi-level governance theorists assert that variations must also be understood in terms of the connections between actors at different levels of the policy making process.

2.2.3 Conclusion

Recent work by Pollack (1996) has attempted to bridge the gap between multi-level governance and intergovernmentalism.[4] Although providing a more accurate account of institutions than the intergovernmentalists, multi-level governance still suffers from a number of draw backs. Pollack contends that intergovernmentalism, multi-level governance and institutional approaches share an analytical weakness in that they 'fail to provide a comprehensive, *endogenous* theory of integration and institutional change, focusing instead on the ways in which EC institutions channel and constrain *exogenous* forces of change' (Pollack 1996, p.453). Pollack argues that the primary emphasis with intergovernmentalist and institutionalist arguments is on 'institutions as intervening rather than independent variables, and the ultimate causes of European integration do typically remain exogenous' to the theories (Pollack 1996, p. 453). A similar criticism of multi-level governance and policy networks can be made. They represent the constellations of interests which assert pressure on the *intervening* and not the *independent* variables: for example the reaction of policy actors to structural economic change, rather than the role of policy actors in structural economic change.

European political integration literature therefore appears to be better placed to explain the *processes* of European Union governance rather than the *causes* of European integration. One of the main causes of this integration must be seen as structural economic change (including economic liberalisation and globalisation). The following sections demonstrate that the current theorisation of the European Union is unable to capture the effect of these causes. However, these theories can to a large extent, as the section shows, still capture the role of regions, nation states and the Commission in the evolution of the Structural Funds following the changes made in the wake of the Single European Act.

2.3 THE 1988 STRUCTURAL FUNDS REFORM AND A EUROPE OF THE REGIONS

2.3.1 THE REFORM OF THE STRUCTURAL FUNDS[5]

Following the accession of three significantly poorer countries to the European Community in the mid-1980s and the signing of the Single European Act (SEA) (1986), the Community's regional policies were radically reformed in 1988. As Coombes and Rees argued in their commentary of the reforms:

> The SEA of 1986 gave a new impetus to both these previously marginal aspects of European integration by establishing the general principle of 'economic and social cohesion' as an essential counterpart to the economic freedom of movement highlighted by the 1992 program (Coombes and Rees 1991, p.207).

This coupling of market integration to the need to address economic and social disparities in the European Community must also be seen in conjunction with the financing of the European Community. That is, both the question of economic disparities, and the Community's budgetary crisis came to a head in the mid-1980s. Both were central to the general crisis in which the Community found itself. It is this crisis which led to the instigation of market reforms and the securing of the means to address economic disparities. That the SEA was a turning point in addressing economic disparities was claimed in a statement by the European Commission:

> All regions in the EC must share progressively in the great benefits obtained by the Single Market. This is not only a matter of the solidarity principle embodied in the treaties; it affects the very success of the European structure (CEC 1992d, p.9).

However this conjuncture is probably overstated both in terms of scale and causality. The budgetary problems of the mid-1980s received the greatest attention, and were resolved (for the most part) through new limits being placed on the Common Agricultural Policy (CAP) and through making the Structural Funds autonomous to budgetary difficulties. In this light, regional inequalities were highlighted because they were used as a bargaining tool by the poorer countries during the SEA negotiations.

Following the signing of the SEA, three sets of decisions were to increase the importance of the Community's regional policy. The first, alluded to above, was the resolution of the persistent budgetary crisis through the agreements reached at the European Council during the second half of 1987 and at the European Council on 11-12th February 1988, where the Delors I budget package was adopted. This set an inter-institutional agreement which fixed long term guidelines for allocations of expenditure from the budget, including a substantial increase in the proportion of expenditure for the Structural Funds. Second, in 1988 the Council adopted two substantial legislative acts following the implementation of the SEA and which constituted a major reform of the Structural Funds. The third area was a switch in the direction of the CAP expenditures away from using Guarantee funding and towards using Guidance funding from the European Agricultural Guarantees and Guidance Fund (EAGGF). These were also to be administered through extensive programmes of rural development intended to reduce the reliance of rural areas on the CAP.

The Delors I budget agreed to a doubling of the Structural Funds over a five year period from 1988 to 1993 which was to be the largest redistributive transfer in the Community's history (Pollack 1995). The decisions reached at the February Council represented a diplomatic success for the geographically peripheral states of the Community over the United Kingdom, Germany and the Netherlands which had 'opposed increases in Community expenditure for the purpose of structural intervention' (Coombes and Rees 1991, p.212). Prior to this meeting, and in accordance with the new Article 130D of the EEC Treaty, the Commission had proposed in August 1987 a number of reforms to the Structural Funds. The first and principal reform had been the doubling in the Community's expenditure. However, its other proposals were that: the funds should be concentrated on five objectives; member states and regional authorities should deliver the funds not through the project based approaches of the past but would instead draw up 'integrated operational programmes' against which projects and schemes could be assessed; and finally resources were to be delivered through 'partnership', both in the drafting of operational programmes by the member states or the regions but also in the implementation of programmes between the Commission, member states and regional authorities. The funds were also to be 'multi-annual' which it was hoped would facilitate a greater coherence and effectiveness of the spending. As Hooghe and Keating suggest:

> before 1988, member states, Council, Commission and Parliament bickered annually about the budget of each of the three funds, which often resulted in unexpected rises or cuts in resources [usually determined by under or over spend from the CAP]. The Commission gained because it now had more control over the designation of regions and allocation of funds and was now, at least in principle, an essentially European policy. Previously, the Commission's role had been largely confined to accepting or rejecting submitted projects, and it had dealt almost exclusively with national ministries (Keating and Hooghe 1994, p.374).

The Commission's proposals for the reform of the Structural Funds were adopted in two phases. The first governed the objectives and tasks of the Structural Funds and was adopted on 24th June 1988. This Council Regulation (EEC No. 2052/88) set out the eligibility criteria for the Structural Funds under five Objectives[6] and the co-ordination of the three Structural Funds (ERDF, ESF and EAGGF) across these objectives. This regulation also stipulated (Article 12(2)) that the Community's appropriation to the structural budget should double in real terms. The intention was also that the least favoured regions with less than 75 per cent of the Community's average GDP per capita would receive 80 per cent of the principal Structural funds, the ERDF, by 1993. In fact this amount had only increased to 62 per cent by the end of this first planning period. The regulation also established the Community Initiatives which were to be drawn up by the Commission in conjunction with subnational authorities. These were to receive 10 per cent of the Structural Funds budget in the 1989-93 period.[7]

However the more difficult phase of the reforms was finding agreement on the 'vertical' and 'horizontal' implementing regulations of the funds. These measures were adopted in the autumn of 1988. Agreement in this phase of the negotiations was more difficult because of the greater complexity of these regulations. The 'horizontal' regulation (EEC No. 4253/88) was concerned with the overall management and co-ordination of the Structural Funds. One of the intentions of this regulation was to 'decentralise the management of the funds and to create a series of partnerships between local, regional, national and Community actors by means of integrated operations' (Coombes and Rees 1991, p.214). These integrated operations, in accordance with the regulation, would involve member states formulating national development plans outlining each state's intentions and priorities with regard to the use of the funds. The Commission would then respond to this by means of a 'Community Support Framework' against which the member states would then have to submit operational programmes for the Commission's approval (Coombes and Rees 1991, p.214). The vertical regulations (EEC No. 4254/88 etc.) were concerned with the implementation of the specific operations for each of the Structural Funds. In this the Commission's most innovative recommendation was the establishment of continuous dialogue between the Commission and the national, regional, and local actors involved.

While the core of the script in terms of the reforms was completed in 1988, a number of substantive issues were left to be decided in 1989; including one of the most important, the allocation of funds between the member states. These were presented by Bruce Millan (Commissioner for Regional Policies) in January 1989 in the form of indicative allocations by member state and by each of the Objectives. One particular problem to arise was that Italy claimed the figures had been based on the GDP per capita of the entire country, not on the relative GDP per capita of the eligible regions - of course this would have increased the Mezzogiorno's allocation to the detriment of Italy's main rival for Objective 1 funds, Spain. Italy's claim which was partly resolved in its favour, is correct in terms that the calculations were due more to inter-state transfers, which are not *communautaire*, and less to redistribution through the regulated instruments of regional policy which are *communautaire*.

By September the final share out had been agreed for the 1989-93 period for the Objective one areas. The money was to be divided as follows: Spain (9,779 MECU); Italy (7,443); Portugal (6,958); Greece (6,667); Ireland (3,672); France (888); UK (793). As Millan commented after the prolonged negotiations:

> This share-out aroused a degree of disenchantment for most of the countries in question. France asked the Commission that the share granted to the

> Overseas Departments (DOM) be increased; the British feel that the funds for Northern Ireland are insufficient; Italy feels that its percentage was calculated in a reductive manner and the difference as compared to Spain is excessive. Moreover, concerning Ireland, there are some administrative problems.[8]

Another problem to arise was agreement on the selection of the Objective 2 areas (for those regions suffering industrial decline). According to the regulations on the concentration of structural funding, these areas should not contain more than 15 per cent of the European Community's population. However from the member state proposals these would have contained 17 per cent.[9] These were gradually reduced through bilateral negotiations between each member state and the Commission.[10]

The reforms of the Structural Funds should be seen primarily as taking regional policy out of annual intergovernmental decisions on the Community's budget. The signing of the SEA was a positive stimulus to this, as was the accession of three significantly poorer member states during the 1980s which served to change the dynamics of European integration and decisions taken in the Council of Ministers. Out of each of these developments came the impetus for the 1988 reforms. However, the reforms cannot be seen simply as the resolution of the budgetary crisis through the institutionalisation of regional policy at a Community level, where the Commission plays a central role. That is, while the reforms can be interpreted as representing technocratic regulations for ensuring the efficient and effective dispersal of regional aid, the reforms have also opened a major policy area, not only for greater autonomy by the Commission but also for the regions. In the following section the reforms are considered in the light of these claims and that they have given support to the protagonists of a 'Europe of the Regions'. Particular emphasis is given to the four principles which underpinned the 1988 reforms, namely: partnership; programming; concentration; and additionality.

2.3.2 In support of a Europe of the Regions?

According to Wallace (1990) and Schmitter (1992), the European Union is an unfinished, open and highly malleable polity, within which there are 'multiple access points for the regions in EU policy making' (Hooghe and Keating 1994, p.375). Within this polity strategies of subnational mobilisation appear to be cumulative. Those regions which have a high degree of institutional autonomy from their nation-states tend to be more active in inter-regional cooperation, have offices in Brussels and be involved in pan European associations set up to lobby for regional interests. In addition subnational tiers of government have become far more active in developing strategies of economic development encompassing both public and private actors. It is against this backcloth that the 1988 reforms, and in particular the four principles guiding Structural Funds implementation should be gauged. It is also the starting point for assessing whether the Structural Funds reform supported trends towards a Europe of the Regions.

In terms of regional mobilisation the most important principles in the 1988 reforms have been partnership, programming and additionality. Concentration of resources (the other principle) has ensured that the least favoured (Objective 1) regions have received most resources, but it has not necessarily been the greatest stimulus to regional activity in the European arena.

Partnership: Hooghe refers to this as the core of the script since 1989 (Hooghe 1996, p. 89) and more importantly for her argument notes that it not only represents a principle by which the funds are to be delivered, but also, provides 'a set of organisational structures for collaboration among the European Commission, the state executive and subnational authorities' (Hooghe 1996, p.89).[11] In this interpretation the regulations were designed by a proactive Commission to 'empower subnational authorities in the European arena' (Hooghe 1996, p. 89). More importantly the Commission was to assert how this mobilisation would take place so as to achieve uniformity in mobilisation across the Community.

Programming: This principle moved support for the regional funds away from one-off payments to member states, which were often used to fund specific projects, towards allocations to specific objectives managed through a Community Support Framework (CSF), which was underpinned by an economic strategy. That is, especially for the objectives which are regionally targeted (Objectives 1, 2 and 5b), funds would support activities which had been determined through the drafting of regional economic plans. These would be administered over a multi-annual period rather than being allocated annually, as they had been before. In terms of the regions becoming active in a European arena, the Commission has increasingly negotiated regional plans (since 1994 in the form of a Single Programming Document) directly with the regions themselves; although, nation state executives have remained present in these negotiations in all except the federal states of the European Union. For the Europe of the Regions thesis, programming has enabled each member state's executive to be bypassed in the formulation and implementation of an economic policy area. This has also enabled the Commission (in particular DG XVI) to have significant influence in the way in which the funds are delivered, for instance the types of economic intervention which are supported.

Additionality: Prior to the 1988 reforms the Commission had few powers to ensure that the Structural Funds were actually additional to existing national or regional expenditure. In effect the previous project-based approach amounted to the transfer of funds from the European Community budget each member state treasury coupled to an announcement in the regions that a particular project had received assistance from one of the three Structural Funds. The 1988 reforms aimed to close this loop hole and ensure that the eligible regions actually received additional money to their existing national funds.[12]

Concentration: In terms of the regionally targeted objectives, the aim of this principle was to ensure that only the most backward areas received funding. This meant two things. Firstly, that the majority of the funds would go to the least favoured regions (Objective 1) in the Community: the southern member states and Ireland. Secondly, that outside the Objective 1 areas, Objective 2 and 5b funds would be targeted on specific proportions of the Community's population (15 and 8 per cent respectively). This was perhaps less significant for Objective 5b areas where one of the principal eligibility criteria was a sparse population. Underlying the concentration principle was the assumption that the eligible areas would be those which currently found political mobilisation most difficult because they would lack the financial resources to influence national and Community policies.

While debates on a Europe of the Regions have a long and varied genealogy across both federalist and regionalist literature, the current usage of a Europe of the Regions stems from the new directions in European integration in the mid-1980s, of which the reform of the Structural Funds was part.[13] Although, institutionally, regions received greater recognition in the early 1990s with the ratification of the Treaty of European Union and the establishment of the Committee of the Regions, the agreements of the 1980s should be interpreted as the turning point for the articulation of regional interests in the European arena.[14] This marks the arrival of the political concept of a Europe of the Regions in the European integration process. As Borras-Alomar *et al.* (1994) argue:

> Behind the idea of a 'Europe of the Regions' lies the thought that subnational entities have little by little acquired greater protagonism in the political, economic, social and cultural arenas to the detriment of the nation-state. The latter undergo a progressive erosion of their powers induced by two basic factors: on the one hand, the advances of European integration which limit the autonomous capacity of national governments to control their destinies independently, and, on the other, the greater dynamism of regional entities (Borras-Alomar et al 1994, p.2).[15]

It is both the economic and political concepts of a Europe of the Regions to which the reforms of the Structural Funds and their subsequent implementation most clearly allude, and it is through the four principles of the reforms (above) which have allowed claims for a Europe of the Regions to be articulated.

In terms of the economic conception of a Europe of the Regions, policy actors both in the regions themselves and in DG XVI have seized upon recent developments in regional economic geography to support their case. It is through the principle of programming and by spatially targeting structural policy that there has been a convergence of interests between economic policy and theory. According to Amin the regional policies of DG XVI have been modelled on arguments asserting that:

> contemporary processes of industrial restructuring are encouraging the resurgence of regional economies owing to the renewed importance of the 'local milieu' as a necessary condition for profitable production in a world of ever changing markets (Amin 1992, p. 129).

In Amin's interpretation there has been a 'return to place' in both DG XVI's structural policies and in areas of regional economic theory. In this 'return to place' such authors as Piore and Sabel (1984), Scott and Storper (1987) and Hirst and Zeitlin (1989) envisage a return, through a new division of labour based around new production technologies, to product specialist regional economies and so:

> via a consolidation of particular product specialisms it is thus anticipated that a federation of self-contained regional economies each with its own cumulative causation effects reliant on strong local external economies will emerge (Amin 1992, p.129).

Although it is tempting to depict the Commission's regional policies as seeking these ends, it is probably overstating the extent to which structural policies have been 'regionalised'. However, it is difficult to make the same assertions for the recipient regions where, given much smaller spatial horizons, policy prescriptions supporting a new territorial order based on regional economic dynamism have a much greater appeal.[16]

What the economic rationale of a Europe of the Regions does highlight, however, is that the implementation of the Structural Funds has required the European Commission and the regions to develop regional economic policies and strategies where often there were none, or where funds were too scarce to allow these to be articulated properly. Within this both the Commission and the regions have developed new roles as political entities. As Loughlin (1993) remarks, the debate between 'those who see a Europe of the Regions, and therefore some kind of federal Europe in the making and those who argue that the 'Europe of Nations' is still dominant is in some ways unfounded' (Loughlin 1993, p.15). Rather, the Structural Funds reforms, and all they have entailed, should be interpreted, as in other policy fields, as allowing 'the EU . . . to set the agenda for the policy debate and to help shape national policies, without displacing the nation state as the principal locus of decision making' (Hooghe and Keating 1994, p.388; Muller 1994).

2.3.3 CONCLUSION

If a Europe of the Regions is not the outcome from the 1988 reforms, how then can the changes to the governance of cohesion policy be interpreted, particularly when empirical evidence would suggest that in this policy area a new system of governance is emerging which is different from its predecessor? This does not merely refer to the establishment of a 'partnership principle' in the 1988 reforms but to the stimuli the Structural Funds have provided for autonomous action by regions and Commission alike, not only in the implementation of policy but also in determining the policy itself. As Keating and Hooghe assert:

> In such a setting, outcomes are often unpredictable and unstable. Payoffs for regions, member states or the Commission from this interaction are not restricted to the narrow area of EU regional policy, so attempts to calculate gains and losses for the respective actors makes little sense. Nor should we see power here as strictly a zero sum game in which an enhancement of the capacity of regions and/or Commission is necessarily at the expense of the nation-states (Keating and Hooghe 1994, p.388).

The following section of this chapter examines the process which led up to the reform of the Structural Funds, and their subsequent implementation, in the context of the previous discussion on the approaches to examining the governance of the European Union. This shows both the strengths and the weaknesses of these different approaches.

It starts by considering the state-centric analyses of the Structural Funds as developed in the intergovernmental institutional frameworks of Moravcsik (1991; 1993) and Pollack (1995). It then contrasts these to the multi-level governance explanations of Marks (1993), Keating and Hooghe (1994) and Hooghe (1996). Following Pollack's (1996) lead on the limitations of institutionalist and policy networks analyses, subsequent sections show why the recent attempts to explain the evolution of the Structural Funds are limited because of their inability to (fully) incorporate the *causes* of European integration into their analysis of the *processes* of European Union governance.

2.4 Using the Competing Theories of European Political Integration to Explain the Reform of the Structural Funds

The dissection of the Structural Funds' evolution presented here follows Pollack's argument that:

> the analysis of both EC structural *policymaking* and the *implementation* of the Structural Funds should begin -but not necessarily end- with an intergovernmental analysis of the preferences of and bargaining among member governments, and the institutions they create which in turn structure subsequent bargaining and outcomes [emphasis in the original] (Pollack 1995, p.646).

Although the conclusions reached here differ from Pollack's, the starting point, namely to look at the redistributive bargains struck in the Council of Ministers, is the same. Indeed Pollack's argument, which as the author admits 'is not . . . mindlessly intergovernmental', agrees with my perspective that the 1988 reforms were a success for the European Commission and the regions acting independently; but that the major decisions affecting both are still made through the intergovernmental structures of the European Union.

2.4.1 Intergovernmental Institutionalism

The starting point for the state-centric studies of the Structural Funds according to Pollack (1995) is that they are all redistributive decisions produced by bargaining in the Council of Ministers. The reform of the Structural Funds and in particular the doubling of the Funds for the 1989-93 period is the result, therefore, of such an intergovernmental bargain. Consequently it is seen as the side-payment to the poorer member states for their agreement to the Single European Act. In other circumstances (which will be discussed) such side-payments have been for agreement to Monetary Union, budgetary reform and enlargement.

That side-payments can come about is due to the decision making nature of the Council of Ministers where unanimity is required for all major decisions. Therefore redistributive policies are facilitated because the poorer member states can threaten veto (or non-participation) to gain the leverage necessary to forge a cross-sectoral bargain (as the Structural Funds are), which takes the form of a redistributive transfer.[17] As Pollack asserts, 'in EC redistributive politics the *demandeur* in one area is also, necessarily, an *obstructeur* in other areas' (Pollack 1995, p.650). This argument has been criticised, particularly by theorists of multi-level governance (Marks, Hooghe and Blank 1996), who argue that such issue linkage cannot be proved. The argument is rendered politically weak when the impact of market liberalisation through the Single Market on regional economic disparities is contested even in orthodox economics.[18] However, intergovernmental bargaining analyses have no difficulty in explaining such decisions without resorting to arguments either of risk or solidarity. Rather, in the intergovernmental analysis, they argue that linkages merely need to be *tactical* and not *functional*, as the detractors of intergovernmental analysis suggest.

This analysis can be applied either to the 1988 reforms or to the establishment of the Cohesion Fund in the Maastricht Treaty (Pollack 1995). In the negotiation of the Single European Act, Moravcsik argues that the 'Southern nations and Ireland were appeased *en masse* with the promise of a side-payment in the form of increased Structural Funds' (Moravcsik 1991, p.68), in return for their compliance with the *1992 Programme* directives. In securing the Cohesion Fund, the *demandeur* countries threatened opposition to two policy areas where their acquiescence was required. The first bargain was at the 1991 Intergovernmental Conference at Maastricht where the *Cohesion Four* (the three southern member states and Ireland), led by Spain, were able to stipulate the inclusion of a new fund in the Treaty for those member states with a GNP of less than 90 per cent of the Community average. This was in order, as the Cohesion Four argued, for them to be able to meet the convergence criteria for EMU set out by the Treaty. The second bargain was the actual allocation of funds, which, for strategic reasons, was left out of the Treaty and was to be decided at the December 1992 Edinburgh Summit. Here again the *demandeur* countries obstructed a decision, this time on opening negotiations for the accession of the EFTA states, until the demands of the countries (principally Spain) had been met. In each case the linkage in bargaining had been tactical and not functional.

However, the issue with which the state-centric approach should have greatest difficulty explaining is the actual content of the 1988 reforms, and in particular the establishment of the four principles. As Pollack's interpretation of the neo-functional approach to the 1988 reforms suggests:

> the functional demands of the single market created functional spillover pressure for a coherent Community policy, and/or that a transnational coalition composed of the European institutions and subnational governments lobbied for such a reform (Pollack 1995, p.660).

However, the neo-functionalist argument would appear to fall down for the particular reason that the reforms came about through a tactical and not a functional linkage (required for spillover) and for the general reason that the Council of Ministers had on previous occasions rejected similar reforms.[19] In the intergovernmental institutional line, which Pollack takes, the member states do not categorically resist all transfers of competence to supranational authorities. The question this leads to, therefore, is under what circumstances would the member states agree to such a transfer?

The response to this question is that the circumstances which led to the reform derived from a change in the interests of the member states due to the accession of three significantly poorer countries in the 1980s. The main effect of this was to change the direction of the European Community's resources, from being spread amongst nine countries (with Italy and the United Kingdom the main beneficiaries), to being channelled to the poorer three. On the one side, as Marks states, the poorest member states 'welcomed an activist approach on the part of Brussels because they lacked not only the money, but the expertise to spend it wisely' (Marks 1993, p.662). On the other, concerns about *value for money* emanated from the treasuries and finance ministries of the northern countries, and particularly from France, the United Kingdom and Germany. As Pollack highlights these became major issues in the budgetary negotiations of the early 1980s, when Germany and the United Kingdom in particular, 'insisted on financial control as a precondition for the expansion of the

Community's own resources' (Pollack 1995, p.662). A further concern was the need to prevent the Community's expenditure from spiralling out of control with newly increased burdens on the CAP and the Structural Funds. In particular this fuelled the rise of the Community's budgetary problems as a domestic political issue in France. Germany and the United Kingdom.[20]

In Pollack's interpretation of these events, concerns principally with value for money in redistributive policies led to a policy window, into which the Commission was able to present its proposals to a positive and receptive Council of Ministers. In this sense the Commission did 'get its way'. However, the institutional intergovernmental argument is that this radical policy breakthrough came primarily because member state preferences had changed. Under these conditions, the reforms are explained by the interests of the member states and not the Commission or the regions.

A neo-functionalist argument would contend that subnational authorities have been able to mobilise in response to the opportunities presented to them by the Structural Funds reforms, the internal market and the Maastricht Treaty so as to *outflank* member state executives. In terms of the implementation of the Structural Funds reforms this centres on the extent to which member state executives have maintained their gatekeeper function. The state-centric critique of this position accepts that partnership in the agreement of programmes and the existence of sectoral and spatial fine tuning by the Commission has been a powerful force in mobilising regional and local interests. However, even Hooghe and Keating, two main protagonists of this argument, accept:

> it has been difficult for regional authorities to get a comprehensive overview of ongoing cohesion policy. In fact subnational interests have been drawn into the European arena in diverse ways, and the *degree and form of partnership have tended to follow distinctly national patterns* (Hooghe and Keating 1994, p.376).[21]

In Structural Funds policy making in the 1989-93 period two areas stand out as highlighting the resistance of the member state executives to cede authority to subnational authorities. Firstly, in the area of partnership, member states (and not the Commission) have retained the right to designate the appropriate subnational authorities to participate in the planning and implementation of the Community Support Frameworks (CSFs). Member state executives, bar Germany and Belgium. retain the right to vet operational programmes and most large expenditure which subnational interests wish to make with the Structural Funds. As Pollack correctly asserts, 'for the 90 per cent of the Structural Funds allocated to national and regional Community Support Frameworks, the member governments remain the gatekeepers to regional participation in Community structural policy making' (Pollack 1995, p.685).

The second area concerns the remaining nine to ten per cent of the Structural Funds which are allocated through the Community Initiatives (CIs). The 1988 reforms gave the European Commission competence to implement this proportion of the Structural Funds budget through programmes or initiatives it formulated. While the effectiveness of the CIs has been questioned (Bachtler and Michie 1993, p. 23), in principle they were to give the Commission a role to implement programmes in conjunction with the regions. It is argued (McAleavey 1993) that the CIs provided a window of opportunity for subnational authorities to lobby and then collaborate with DG XVI to secure a Community Initiative in the form they wanted. The frequently cited case of this is the RECHAR initiative which 'originated from close collaboration between the Commissioner for regional policy, Bruce Millan, and a coalition of British local authorities from coal mining areas, carefully leaving the British Conservative government in the dark' (Hooghe and Keating 1994, p.384). Funding criteria were set so that qualifying regions in the United Kingdom were budgeted to receive 44 per cent of the ECU 300 million earmarked for the initiative. But the British government then continued to insist that the RECHAR funds (as with the other CIs) would have to be channelled into the British treasury, leaving the eligible local authorities to find the bulk of the matching funds from elsewhere.

However, in the second part of the outflanking of the British government, Millan then stopped all payments to the United Kingdom part of the programme until assurances were given that they would be fully additional. Then, later in 1991, with the dispute still unresolved, Millan threatened to withhold the total Structural Funds payment to the United Kingdom, amounting to 900 million pounds.[22] Under mounting political pressure the British government was brought to negotiations with the European Commission in mid-February 1992. At this point the then Secretary of State for Trade and Industry, Peter Lilley, accepted the Commission's demand for additionality, whereupon Millan released the remainder of the RECHAR funds.

To summarise the intergovernmentalist argument, it is clear that the member state executives were not duped into any of the reforms and in all probability have dealt more adroitly with the 1988 reforms than the RECHAR debate might suggest. In particular, the 1988 reforms had a life span of five years after which it was intended that a series of revisions would be made. More generally, member state treasuries had many more indirect ways through which they could cut funds to subnational authorities and continue to retain control over payments made to them by the European Commission.[23] Although the *prima facie* evidence of the reforms and the RECHAR dispute does lend some weight to multi-level governance arguments, over the longer term it is evident that the member states retain control over budgetary allocations and regulatory design which inevitably frame subsequent policy implementation. The overarching evidence of the whole 1988-93 period of the Structural Funds tends therefore to support the intergovernmentalist position.

2.4.2 Multi-Level Governance

Marks (1993) and Hooghe (1996) both accept that the redistibutive decisions required for the 1988 reforms were intergovernmental. However, the actual content of those reforms where, to restate, the 'core of the script since 1989 . . . is partnership' (Hooghe 1996, p. 89) could only have been derived in a multi-level polity outside the decisions taken by the member states. That is, *policymaking* and *implementation* owed more to a European Commission acting autonomously than the intergovernmental institutionalist analysis allows. In particular Marks interprets the evolution of the Structural Funds since 1988 as being 'congruent with the emphasis of neo-functionalism on the autonomous role of supranational institutions, . . . in particular the Commission' (Marks 1993, p.407). However, Marks, perhaps speculatively, argues that in discussing the role of subnational governments:

> intergovernmental and neofunctional theories of the EC are inadequate because they are too narrow in one important respect: they conceive the systemic outcome of institution building in the EC in terms of a single dimension ranging from national state domination at the one extreme to a supranational polity at the other (Marks 1993, p.407).

In line with Keating and Hooghe's (1994) arguments that the rise of both subnational and supranational entities cannot be seen as simply a shift of power within a zero sum game away from the member states, Marks argues that the evolution of the Structural Funds demonstrates the emergence of *multi-level governance* in the European Union. He defines this as:

> a system of continuous negotiation among nested governments at several territorial tiers -supranational, national, regional, and local- as the result of a broad process of institutional creation and decisional reallocation that has pulled some previously centralised functions of the state up to the supranational level and some down to the local/regional level (Marks 1993, p.392).

Put another way, intergovernmental *tiers* of government have become contested by *spheres* of governance.

Hooghe interprets the development of this multi-level polity along the lines set out by Eichener (1992), where 'under certain conditions, the Commission is capable of autonomous action' (Hooghe 1996, p.89). In particular, this will depend on the 'formal institutional rules under which state executives and Commission operate, and these differ considerably from one place to another' (Hooghe 1996, p.92).[24] Hooghe's argument of the emerging multi-level polity, stems from a position that the European Commission launched the Structural Funds reform under the strong leadership of Jacques Delors, who (re-)launched the concept of cohesion in 1986 as the counterpart to market liberalisation. In doing so Delors targeted *les forces vives*, of which the regions were a prominent part.[25] Indeed, as early as 1985, Delors had argued:

> everyone is agreed, I think, that the regions concerned must work out for themselves development programmes which are geared to both enlargement and their own development, and which are realistic in light of the growth obtainable, the potential outlets, and the possible technical development. It is also agreed that the programmes must be seen as a whole. This is what we should understand by an integrated programme.

This is my first idea, then . . . that what we are aiming for are relevant and practical programmes devised by the regions themselves' (OJEC 1985, p.95; cited in Smyrl 1997, pp. 287-288)

Delors position shows that the Commission was not simply attempting to wrest some competencies from the intergovernmental system, as the zero sum hypothesis would surmise; rather, the Commission's action was far more complex and required more than simply the formation of new alliances with subnational authorities. More importantly, far reaching organisational changes within the Commission were made to enable its new role to be realised.

The 1988 reforms brought together the three Structural Funds around the central tenet of 'structural programming for indigenous regional and local development' (Hooghe 1996, p.89) which required organisational change for them to be implemented. In this the Directorate-General for Regional Policies (DG XVI) became a pivotal agency as it was to co-ordinate the expenditure not only of the ERDF (its traditional remit) but also of the ESF (that of DG V for Social Affairs) and the Guidance section of the EAGGF (that of DG VI for Agriculture). Alongside this a separate Directorate-General was created (DG XXII) in order to 'conceptualise and supervise the implementation of policy' and 'its task was to centralise control' (Hooghe 1996, p.89). The aim of Hooghe's analysis of the Structural Funds reform is to explain why the Commission became far more ambitious in the area of regional policy, both in the lead up to the reforms and afterwards up until the 1993 revisions. For this, multi-level governance offers a two step argument:

> the Commission is an autonomous actor (but within limits), and Commission preferences are not necessarily in favour of maximum supranational control. If this is valid, it becomes conceivable that self-interested Commission actors be active in toning down the cohesion policy of 1988 (Hooghe 1996, p.94).

Hooghe and Marks both accept that European Union cohesion policy has always started with a side-payment by some member states to others, and that decision making in this area remains intergovernmental: 'it is high politics in the European Council, the consensus rule prevails, the Commission has the status of observer' (Hooghe, 1996, p. 98). However once this has been decided, the Commission then draws up the blueprint for the policies on which to spend the money. It does this because it has the monopoly of initiative, although the Council of Ministers, and increasingly the European Parliament, have the final decision. It is this process which determines the framework for cohesion policy.

This leads to the principal empirical divergence in the arguments of Hooghe and Pollack. Pollack argues that the Structural Funds reforms of 1988 came about because of the recurring theme of value for money from the contributor member states. The reason for the reforms thus lies in the changing balance of European Community organisation. In particular, with the accession of three significantly poorer states, Community redistribution could no longer remain what had become a share out of Community resources to recoup contributions. The European Community was now clearly divided between contributor and recipient countries. The state-centric explanation is that the Commission was responding to two different sets of member state interests; the first, to assert financial control over the funds on behalf of the contributors, the second, to offer the recipients extensive policies for structural change.

In contrast, the multi-level governance position is far more complex, and asserts that the reforms cannot be explained simply as responses to a new set of member state preferences. Hooghe presents evidence that the 1988 reforms were drafted by a small co-ordination unit (which was to become DG XXII). This unit had also been responsible for the earlier minor reforms to Community regional policy which had led to the creation of the Integrated Mediterranean Programmes (IMPs). The unit followed similar guidelines to the IMPs and drafted the reforms in 'near isolation from the three funds or the national bureaucracies' (Hooghe 1996, p.99). This allowed radical reforms to be presented to the Council of Ministers, primarily because the Commission president had given strong personal backing to the co-ordination unit. Delors had been convinced by the IMPs that 'non-central actors' could be mobilised, and consequently this could have positive, if unforeseen, benefits for the Commission *vis-à-vis* the member state executives. Together with the careful selection of the negotiation team, Hooghe argues that this suggests:

> the Commission had not been acting on behalf of states, but wanted to 'take them by surprise', and that it was not advancing partnership merely to solve

the problem of value for money but had its own agenda. The initial reactions of the states were either negative or indicated surprise (Hooghe 1996, p.99).

The multi-level governance explanation for why the Council of Ministers agreed to the reforms is the difficult step in this argument. Hooghe suggests that member state acquiescence was secured because of the broad logic of the reforms which drew heavily on new regional development economics and French ideas for territorial planning. More specifically, member state governments accepted that the Structural Funds required a large overhaul and the Commission proposals satisfied this criteria in the absence of any others. This is coupled with the unambiguous goal of the Commission to support as wide a definition as possible of cohesion policy with the full support of Delors.[26] Success for the Commission came because it acted autonomously with regard to member states and followed a coherent political strategy to realise its goals. This deliberate strategy can only be explained in a multi-level polity and not one dominated by member state interests.

In terms of policy implementation the multi-level governance interpretation differs in a number of ways from the state-centric approach. In particular the 'subnational cohesion policy relied on two core ideas' (Hooghe 1996, p.102). The first was to incorporate the concept of cohesion into other policies, and the mechanism by which this was done was by integrating the objectives of different policies. The second aspect was that the Commission, member states and the subnational authorities were expected to collaborate in policy implementation, and that these would be 'translated into partnership agreements' (Hooghe 1996, p.102). The principle of partnership institutionalised the participation of subnational authorities and the European Commission in the implementation of cohesion policy. Before the 1988 reforms, implementation had been very different. That is, member states submitted projects to the Commission for their approval. Each side retained its autonomy. Commission civil servants required only legal and financial information to accept or reject projects. More detailed information, for instance which could only come from the subnational authorities, was not required.[27]

The 1988 reforms were therefore much more than simply a shift of competencies from member states to both subnational and supranational authorities, as the zero sum game analysis would suggest. Rather, the reforms enabled Commission officials to go beyond the regulatory role which was given to them by the reforms. As Hooghe suggests:

> [The principle of] Partnership breaks with this splendid isolation. Subnational mobilisation could become a valuable counterweight for EU officials to the national bureaucracies, but it requires from EU officials to lower the external walls, accept the 'others' as equals, and collaborate with them continuously (Hooghe 1996, p.104).

Evidence that the structure and remit of DG XVI, the lead Structural Funds agency, changed, is coherent with this assertion. Following the 1988 reforms swift reorganisation of DG XVI took place. The driving forces for this change were Philip Lowe, who had helped in the drafting of the reform and who became *chef de cabinet* for Bruce Millan (appointed as Commissioner in 1989) and the director-general of the Directorate-General, Eneko Landaburu. Alongside these developments, regional policies were restored to a policy area in their own right in the Commission when Millan took over in 1989. The profile of DG XVI's personnel also changed rapidly, probably faster than any other Directorate-General over the same period. According to Hooghe (1996, p.108), more economists were hired instead of engineers, leaving technical expertise to be drawn on from the sectoral Directorates-General as and when required. In addition these generalists were chosen because they were expected to be more accomplished negotiators for dealing with the member states.[28] The emergence of DG XVI as the lead agency for cohesion is characterised by two other developments.

First, in the reorganisation of the Directorate-General a clear distinction was made between the conceptualisation and implementation of policy. This caused problems because the units concerned with implementation were organised geographically on a national basis and were separate from those concerned with policy design (conceptualisation). However, the separation allowed DG XVI to build up expertise in regional policy conceptualisation and to be more experimental, particularly with the Community Initiatives and its Pilot Initiatives. Community Initiatives and Pilot Initiatives were administered with close collaboration between the conceptualisation and implementation units. Prominent areas which were supported include inter-regional initiatives (especially to foster cross-border co-operation in spatial planning) and urban initiatives (especially to foster bottom-up community based projects). Often the formulation of such initiatives came from the specific demands of regional authorities which were already in receipt of substantial support from the Structural Funds.[29] Second, in the implementation of the Community Support Frameworks, DG XVI was directed by the five objectives of the Structural Funds and not by specific national considerations. Although this made the formation of regional development policies more difficult, it served to undermine the country-by-country mentality which had pervaded the implementation of regional policy in the past.

To summarise, while the Commission had aimed to mobilise subnational interests in the implementation of the reforms, this had not been its principal concern. Rather its aims were first and foremost to manage the budget well and for this it needed to take a lead not only in the implementation of the Structural Funds but also in their design. It is from this position that Marks and Hooghe argue that a multi-level polity is emerging, and why it is a far more complex development than either neo-functionalist or state-centric accounts can accommodate.

2.4.3 Policy Implementation and Multi-Level Governance: the Limitations

I would argue that neither Hooghe nor Marks completely grasps the breadth and complexity of what they term multi-level governance. In the areas of policymaking and implementation, Hooghe limits her argument to a very tight definition when she argues that the Commission (in particular DG XVI) and subnational authorities have acted independently of member state executives. This is limited to the building of coalitions and the implementation of policy. What multi-level governance should encompass is the fact that in the implementation of policy, the role of the Commission surpasses a simple regulatory one. This accepts Hooghe's study which highlights how DG XVI and DG XXII acted autonomously to draft the 1988 regulations (policy making) but her study does not give sufficient scope to DG XVI's role in policy implementation.

Both Pollack's, and Hooghe and Marks' arguments are limited, primarily, to certain aspects of the 1988 reforms. While Pollack gives primacy to the redistributive elements of the reform, Hooghe and Marks focus on the role of partnership. Evidence can therefore be found to support both intergovernmentalist and multi-level governance theories. My argument is that it is also necessary to look at the *actual implementation* of the Structural Funds where it is their very delivery and spending on projects for regional and local economic development and the role played by each of the four principles (partnership, additionality, concentration and programming) which structure the implementation of the Structural Funds. In particular, the principle of programming, coupled to that of partnership, has enabled the Commission to have a significant influence on the formation of regional and local economic strategies of the member states.

For example, following the 1988 reforms, the Commission, in response to proposals from each of the member states, drafted the Community Support Framework through which the Structural Funds would be delivered in each of the member states. It is against this document, that the subsequent operational programmes for each of the eligible areas (in the case of Objectives 1, 2 and 5b) were assessed. This enabled the Commission to influence regional economic strategies. Why it emphasised certain features in regional economic strategies above others should be an important question for European political integration theorists to address. Focusing on regional economic strategies should also enable these theorists to examine the impact of the causes of economic integration on the processes of European Union governance.

Hooghe infers that DG XVI had limited impact on the shape of regional economic strategies in the early stages of the implementation of the 1988 reforms. This is partly because DG XVI had limited resources in terms of both personnel and information and so it accepted member state executive direction to a greater extent, and partly because it attempted to administer the reforms consistently across the Community, paying less attention to member state differences than it did subsequently. Following the 1993 revisions (outlined below), it is apparent that both of these circumstances changed, and DG XVI holds a much stronger position in negotiating economic strategies for each of the Objectives and with each of the regions eligible for the Structural Funds.

2.5 The Evolution of the Structural Funds: From Maastricht to the 1993 Revisions

The 1988 reforms provided a watershed in the development of the European Union's regional policy and have provoked new debates over the governance of the European Union. These have been further stimulated by the evolution of the European Union's regional policy since the 1988 reforms. In particular, continued interest in European Union regional policy has centred on two linked events. The first dates from December 1991 when the Maastricht Treaty on European Union significantly upgraded the importance of Community cohesion policy. Article 2 of the Treaty established economic and social cohesion as one of the 'pillars of the Community structure' and agreed to set up a new cohesion fund for the poorer member states.[30] The second event was the agreement on revisions to the 1988 reforms of the Structural Funds. Agreement on these, late in 1993, only came after prolonged negotiations in successive European Councils and after bilateral negotiations between individual member states and the Commission.[31]

Following the provisional agreements made at Maastricht, the Commission subsequently produced recommendations for the future development of its regional policies which were quickly followed in March 1992 by the mid-term review of the European Community's structural policies (CEC 1992e; CEC 1992f; CEC 1992g). Each document recommended a number of changes to the Structural Funds regulations based on the experience of the preceding three years. Accompanying these a new budget package (Delors II) proposed a two-thirds increase for the subsequent five years. As Bachtler and Michie (1994) show, 'by the time of the European Council in Edinburgh in December 1992, agreement on the future Community budget (providing funding for the commitments entered into at Maastricht) was the most critical item requiring attention' (Bachtler and Michie

1994, p.790). The compromise eventually reached, encompassing the side-payment to the *Cohesion Four* (Spain, Portugal, Greece and Ireland) group of countries, was a 25.7 per cent increase in European Community spending from ECU 66.8 billion in 1992 to ECU 84 billion in 1999. This increase was to be staggered with a ceiling of 1.2 per cent of Community GNP being maintained for two years, followed by subsequent increases thereafter until 1.27 per cent was reached in 1999. The new Cohesion Budget was set at ECU 15.5 billion for the 1993-99 period.

The Commission subsequently presented its proposals for the reform of the 'horizontal' Structural Funds regulations in early 1993 (CEC 1993d; CEC 1993e). The Commission's proposed amendments were kept to a minimum, with the main changes concerning eligibility criteria, programming periods and administrative procedures. These were approved at the Special Council meeting of July 1993. One change, namely that made to the eligibility criteria, allowed a widening of the Objective 1 criteria from 75 per cent to 79 per cent of the Community GDP. This meant that for the first time areas of mainland France and the United Kingdom became eligible as well as areas of the Netherlands and Belgium. In addition the Council decided to allocate a total of nine per cent of the Structural Funds budget to the Community Initiatives. The new provisions for the operation of the Structural Funds were finally agreed at the normal European Council on 23rd July 1993, 'following intervention by the Commission president' (Bachtler and Michie, p.790). By the end of that year, the Commission had agreed the distribution of the Structural Funds budget between the member states. Whilst the Objective 1 areas had already been agreed during the course of 1993, this meant that the Commission was left to decide on the eligible areas for the Objective 2 and 5b areas, on the basis of proposals submitted by the member states. With a careful balance to be reached across the member states and according to the principle of concentration, the areas were agreed in January 1994 (CEC 1994b). The next step involved the submission of regional development plans by the member states for *ex ante* appraisal and negotiation with the Commission.

The revision of the Structural Funds made little change to the main principles of the 1988 reform, and as the Commission suggests, the aim of the new regulations was to, 'build and improve on the new structures created since 1988 rather than to initiate another wide ranging and fundamental reform' (CEC, 1993f). However, following the Lisbon summit (June 1992), the revisions reflected two demands of the member states: firstly, to increase transparency; and secondly, to provide simpler and better decision-making procedures. The new regulations also responded to the Court of Auditors' demand for more rigorous financial control and better regulation. Alongside such regulatory changes, the Structural Funds coverage also altered following the reunification of Germany, with the new Länder becoming eligible for Objective 1 assistance. The other significant change to the five Objectives was the merging of Objectives 3 and 4 and the creation of a new Objective 4 targeted at retraining for industrial change (CEC 1994c).[32]

In the context of an emerging multi-level governance the revisions also contained amendments to the programming and partnership regulations. A central criticism on the part of the member states during the 1988-93 programming period was that the planning and decision-making procedures were too complex and that Commission involvement had been excessive. The revisions empowered the member state executives to take the lead in proposing the areas eligible for Objective 2 and 5b funds. The three phases of programming (regional development plans, CSFs and Operational Programmes) were reduced to two stages with the member states being able to present their development plans and draft programmes as part of a single document. For the regions containing the Objective 2 and 5b areas, these would be contained in regional Single Programming Documents.

Against these trends, which strengthened the position of the member state over the regional authorities, the monitoring of the delivery of the Structural Funds was also changed. Under the new arrangements Monitoring Committees were given increased responsibilities, with flexibility to modify the procedures for granting assistance, including transfers between Community sources of finance and adjustments to the rates of assistance, subject of course to the overall amount of Community assistance and within 'harmonised limits'.

Although the emphasis here is on subnational control of fund delivery, the reality has been quite different. The role and remit of these Monitoring Committees has been defined in most member states by the central executive and not by subnational authorities. Cross European variations in this area of regional mobilisation have therefore tended to follow national and not regional patterns.[33]

Finally, the other area to be revised was the management and funding of the Community Initiatives. As Bachtler and Michie highlight:

> during the 1989-93 programming period, the Commission was also criticised for the number, scale and bureaucracy associated with the Community Initiatives. Reflecting these concerns, the revised Regulations stipulated that the future Community Initiatives would be funded with 9 per cent (rather than the proposed 15 per cent) of resources (Bachtler and Michie 1994, p.792).[34]

Of more concern for the autonomy of the European Commission, however, was the Council's creation of a new Co-ordination Regulation which established a Management Committee for the Community Initiatives.[35] The creation of this Committee, Pollack argues (Pollack 1995, pp. 683-684) has dampened the extent of the new Community Initiatives. The result of this is that when they were announced the Management Committee approved the proposals for the less wide ranging new Community Initiatives. The Community Initiatives now cover seven themes: cross-border, transnational and inter-regional co-operation and networks; rural development; outermost regions; employment and development of human resources; industrial change; the urban initiatives; and fisheries (CEC 1994f).

Returning to the theoretical debate between intergovernmental institutionalism and multi-level governance, the development of the Structural Funds and the 1993 revisions appear to strengthen the intergovernmental case. The principal debates of this period did not concern subnational mobilisation, but rather issues of redistribution, and more specifically the securing by the Cohesion Four of a side-payment in exchange for agreeing to the European Union moving towards closer economic and monetary union. In the revision of the regulations, the member states have reasserted their position by securing greater financial accountability in the delivery of the funds and through the establishment of a Management Committee for the Community Initiatives. The Community Initiatives had represented the Commission's area of greatest autonomy in the control of the Structural Funds budget.

In defence of multi-level governance, the 1988 reforms still represent a watershed in the development of the Community's regional policy. The 1993 revisions have not changed the main thrust of the reforms, particularly in the area of partnership. The simplification of the procedures, for instance those regarding programming, have probably made subnational mobilisation easier, and therefore made 'Europe' more accessible for the regions. For example the requirement that regions prepare a 'Single Programming Document' which is then presented to the Commission by the member state has provided a focus for regional and local economic development actors. Following Commission appraisal of the document, subsequent revisions to it have been negotiated between the Commission and the competent regional authority; during which period local authorities and central government departments have been observers. In this light the 1993 revisions have improved the implementation and management of the Structural Funds process, which is beneficial to all tiers of government. The revisions are therefore best interpreted as a reassertion of pragmatism, especially on the part of the European Commission.

2.6 Emerging Trends in European Regional Development Policy

The thrust of this chapter has been to set out competing interpretations of European Union Structural Funds policy making. Very little attention has been paid to the economic strategies which the Structural Funds have supported. In the multi-level governance portrayal of Structural Funds policy making, partnership and implementation were interpreted as the principal indicators of an emerging multi-level polity. However, the protagonists of this argument pay scant regard to the effects that different economic policies, adopted by the Commission can have on subnational mobilisation. That is, their approach interprets multi-level governance first and foremost as being a political process and pay almost no attention to the economic effects the Structural Funds are intended to have.

The 1988 reforms established regions as the political and economic unit through which to deliver the Community's increased influence in Structural Policy. This influence had come from the side-payments secured by the poorer member states in the intergovernmental system for agreement to the Single Market Programme. However, it was the Commission, drawing from ideas in new regional economics and reflecting the rise of regions as political entities, which designed policies to be administered at the regional and not the national level. From this new impetus the slogan of a 'Europe of the Regions' gained widespread currency especially amongst regional elites wishing to project their regions beyond their own national boundaries. Moreover, a Europe of the Regions had both a political and an economic rationale which the Commission could use to mobilise subnational actors. The economic strategies used to accomplish this were perceived to have political benefits *vis-à-vis* the member states. That the economic rationale for a Europe of the Regions was not sustainable was perhaps not the point: it had provided a vehicle for achieving a political goal, namely increasing the Commission's competence in cohesion policy.[36]

The interpretation of the 1993 revisions as being representative of a resurgence of intergovernmentalism is also misleading. This implicitly places state-centric and neo-functionalist interpretations at opposite ends of a continuum, against which any policy development is measured. Instead, this thesis will argue that policy development in the Community should be interpreted as an evolutionary process. An evolutionary approach would throw new light on the 'pragmatic' 1993 revisions and the subsequent changes to cohesion policy. Current theories do not do this. The following sets out why this is the case by tracing the new directions in Community regional policy from the Maastricht Summit at the end of 1991, showing why the study of European Union governance, within a framework which considers the causes of economic integration, is important.

The document which is emblematic of the evolution of Community regional policy is the Delors White Paper (CEC, 1993c) on *Growth, Competitiveness and Employment*.

It makes only cursory reference to regional development or subnational mobilisation; two themes which were upper most in the debates at the end of the 1980s. However it does draw on the economic and social cohesion 'pillar' of the Treaty of European Union which gave the Community new competencies in this area. In particular it has provided a guide for subsequent Community policy and policy implementation.[37] Its most prominent initiatives in terms of regional development have come under the area of competitiveness, which has placed a new stress on 'Trans-European Networks' (TENs) and 'Research and Technological Development'. Under the new pillar of the Community both of these have implications for economic and social cohesion policy. Moreover, they reflect a move from atomistic regional development *per se* towards broader ideas of European spatial and territorial planning; that is from a Europe of the Regions to a European *aménagement du territoire*.[38] This reaffirms the social and economic cohesion aims outlined in the Maastricht Treaty. As such the role of the Commission may be seen as *managing* the European Union's economic disparities and those policies targeted at reducing economic disparities.

The implementation of the Delors White Paper by DG XVI in territorial development ideas was finally released in April 1995 as *Europe 2000+* (CEC 1994d) following prolonged consultation with the Council of Ministers, the Committee of the Regions and the European Parliament. As with the Delors White Paper it is regarded by DG XVI as a guide for the implementation of the Structural Funds and it takes up many of the White Paper's themes; for TENs, Research and Technological Development, and Environment Policy.[39] It has also drawn on a number of the influential Commission FAST studies of the 1980s and early 1990s.[40] In so doing many of the inter-regional Community Initiatives (INTERREG etc.) and the innovative measures for inter-regional co-operation funded under Article 10 (ERDF) of the Structural Funds can be seen as the progenitor of the plans for the trans-regional co-operation outlined in *Europe 2000+*.[41] The rationale the Commission has used for supporting the development of these 'trans-regions' is that: firstly, they each face common structural and spatial problems *vis-à-vis* their respective member state or the European Union as a whole; and secondly, that these problems can possibly be addressed by common policies, administered through trans-regional strategies.

Current support from the Structural Funds for trans-regional initiatives is very limited and cannot change unless the Structural Funds regulations are revised. This is not due to happen until 1999. The purpose of the document *Europe 2000+* was therefore to act as a guide to the Commission's regional policies and to represent Commission positioning in the lead up to the intergovernmental conference (IGC) which started in 1996, and with regard to the subsequent revisions to the Structural Funds called for by the IGC. These revisions were published in the European Commission's *Agenda 2000* documents in July 1997 which dealt explicitly with the economic and political changes the European Union needs to undertake prior to enlargement to eastern Europe in the early part of the next decade (EC 1997).

2.7 CONCLUSION

The principal aim of this chapter has been to highlight the inadequacy of existing theory in tracing the evolution of the European Structural Funds since the signing of the Single European Act. It has not been to assess the impact which the Structural Funds have had on stimulating regionalism in the European Union. However, it has argued that the economic strategies underlying the implementation of the Structural Funds have shifted from supporting indigenous regional growth to broader strategies of European territorial development. In so doing the roles of both the Commission (in particular DG XVI) and the regions have changed. In the 1988 reforms regional mobilisation served a political goal for the Commission, namely to establish greater competence in the area of cohesion policy as a counterpart to its single market programme. For the regions it presented new opportunities to enter the 'European arena'. Both of these developments have led to the assertion that the governance of the European polity is radically different to that of the past. This has been supported by two of the principles underlying the Structural Funds, namely partnership and programming.

Although the Cohesion and Structural Funds now receive nearly a third of the Community's budget, most of this remains by one means or another in the control of the member state executives of the European Union, not the regions or the

Commission. In addition, the Structural Funds remain the sole policy area requiring the widespread involvement of subnational actors; other policy areas are still administered either at the Community level or through the member states. As Pollack asserts:

> The Commission and the regions are indeed independent actors, but they are actors in a play written essentially by the member states, and their ability to influence policy outcomes has been circumscribed by the institutional structures established, and periodically revised in light of past experience, by the member states (Pollack 1995, p.686).

Without any significant changes to the political structure of the European Union, any changes in the Community's regional policies will at best only have a small effect in the short term.

The limitation of multi-level governance and intergovernmental institutionalism is conceded in Pollack's more recent work (1996) where he argues that each fails to provide a comprehensive, *endogenous* theory of integration and institutional change. In the context of the Structural Funds these political science theories are unable to explain the relationship between the *causes* of European integration and the *processes* of European Union governance. For instance, they cannot explain the content of regional economic strategies, contained in Single Programming Documents, reflects the outcome of bargaining between the Commission, member state executives, and regional and local partners. This *process* mediates the policy objectives of each of the actors into a strategy to implement the funds and requires empirical and theoretical attention.

How these policy objectives are formed depends on factors which include: the economic aims of the European Union (e.g. as outlined by the Delors White Paper); the objectives of the member state (e.g. under successive Conservative governments, the aim of improving business competitiveness); and the panoply of objectives of local and regional partners (e.g. including those, in the United Kingdom, of local authorities, Training and Enterprise Councils, further and higher education institutions etc.).

Objectives may be formed, for example, as a result of technological change impacting on a specific region. For different actors such objectives will be both conflictual and consensual: what is important is the means by which they are mediated. What political science analyses of European Union governance do not do, by leaving factors such as structural economic change as *exogenous* to their theory, is to coherently link the causes of integration with the process of governance. These issues are examined in more detail in the following chapters which present the findings of two case studies of the implementation of the Structural Funds in the United Kingdom and France.

NOTES

[1]Other interpretations of integration could also be included such as federalism. However, while federalism offers a 'model' for establishing a system of European governance, its powers of explanation and prediction of the process are limited. See for example Pinder (1990).

[2]The core ideas of *state-centric* approaches to European integration are put forward by intergovernmentalist scholars. Following Hoffmann's original work (1966), the most important recent analyses include the work by: Taylor 1991; Moravcsik 1991, 1993; Garrett 1992; and Milward 1992.

[3]European Structural Funds policy, as with other economic and social policies, fall under the European Community *pillar* of the European Union. The other two pillars incorporate, justice and home affairs, and the common security and foreign policy of the European Union. Throughout the thesis the focus is on the European Community which is the most politically integrated pillar of the European Union.

[4]Recent work on institutionlism by Pollack has attempted to incorporate the insights of policy networks analysis. Pollack argues that 'an institutionalist analysis ... does not deny the existence or importance of such informal policy networks, but it does begin with the notion that formal institutions matter, in the sense of constraining and channelling the actions of supranational institutions, of member governments, and of subnational actors. Informal networks, in this view, are formed and operate within the interstices of formal institutions, and the nature of the policy networks characterising a particular area is determined ... by the access points and veto points offered by formal institutions, and by the entrepreneurial actions of supranational institutions like the Commission and the EP, around which EC policy networks have been most commonly formed. ... The difference [between institutional and policy networks approaches] is one of emphasis' (Pollack 1996, p. 453)

[5]The three Structural Funds are the: European Regional Development Fund (ERDF); European Social Fund (ESF); and Guidance section of the European Agricultural Guarantees and Guidance Fund (EAGGF).

[6]The 5 Objectives contained in Council Reg. (EEC) No 2052/88 are: 1. promoting the development and structural adjustment of the regions whose development is lagging behind; 2. converting the regions, frontier regions or parts of regions (including employment areas and urban communities) seriously affected by industrial decline; 3. combating long-term unemployment; 4. facilitating the occupational integration of young people; 5. with a view to reform of the common agricultural policy:

(a) speeding up the adjustment of agricultural structures; and (b) promoting the development of rural areas.

[7]Council Regulation (EEC) No 2052/88 Article 11(1) on the Community Initiatives states: 'In accordance with Article 5 (5) of Regulation (EEC) No 2052/88, the Commission may, on its own initiative and in accordance with the procedures provided for in Title VIII, and after having informed the European Parliament accordingly, decide to propose to the Member States that they submit applications for assistance in respect of measures of significant interest to the Community. Any assistance approved pursuant to this provision shall be reflected in the establishment or revision of the relevant Community support framework.'

[8]Agence Europe, No 5098, Sept. 27, 1989, p.12.

[9]Announced in a Commission Press Release from the spokesman's service, 8th March 1989, p. 2.

[10]Agence Europe, no. 5098, 27th September 1989, p.12

[11]Council Regulation (EEC) No 2052/88 Article 4(1) on Complementarity, partnership, technical assistance states: 'Community operations shall be such as to complement or contribute to corresponding national operations. They shall be established through close consultations between the Member State concerned and the competent authorities designated by the latter at national, regional, local or other level, with each party acting as partner in pursuit of a common goal. These consultations are hereinafter referred to as the "partnership." The partnership shall cover the preparation, financing, monitoring and assessment of operations.'

[12]The proto-typical case of the additionality regulations being invoked was the so-called RECHAR dispute between DG XVI, and particularly the Commissioner Bruce Millan, and the British government over whether the Community Initiative RECHAR was being used additionally to existing expenditure. This led to Millan withholding money until the then DTI Secretary of State Peter Lilley gave assurances that the DTI and Treasury would in future provide documented evidence that funds were additional. This debate is detailed in Paul McAleavey (1993) and by Ian Bache (1995). The second author questions whether, even after the resolution of the dispute, the funds are additional, arguing that central government has been able to cut other areas of local authorities' grants to recoup the money.

[13]This is discussed concisely by John Loughlin (1993) and more extensively by the same author in 1994.

[14]Peter van der Knaap (1994) argues that the establishment of the Committee of the Regions as a new consultatory institution presents the Commission with new opportunities for bypassing member states to interact with subnational authorities. However he suggests that it should limit its ambitions for a number of reasons. Firstly he cites the example of ECOSOC which has not secured a strong institutional footing, secondly he argues that the Committee should refrain from 'turf' battles with ECOSOC, and thirdly that it should resolve a number of problems which have stemmed from local authority - regional authority disagreements over representation.

[15]Borras-Alomar *et al.* go on to argue that: 'Such dynamism is embodied by increased autonomy for regional and local institutions in the management of their own affairs and, above all, by new territorially limited social movements which, in some cases, have altered the long established balance of powers between traditional parties. Regions, become, thus, one of the centres of a bipolar territorial organisation in which the concentration of powers in the European Union, as a requisite of greater efficiency, finds its ideal corollary in a regional articulation of the territory' (Borras-Alomar *et al.* 1994, p. 2).

[16]As Amin asserts, the preconditions for success are 'not readily transferable to the majority of old industrial and newly industrialising regions' (Amin 1992, p. 134).

[17]Keating and Hooghe (1994) open this up to a wider interpretation when they argue that the very complexity and all encompassing nature of the Structural Funds' reform came about because: 'A policy with a single rationale, based on a well-defined and delimited problem, would have been unlikely to assemble a winning coalition in a decision-making system as the European Union. This

policy however served *multiple interests*, both at the level of states and at that of the Community' (Keating and Hooghe 1994, p.371).

[18]In particular, analyses that market liberalisation has led to and will lead to regional economic convergence have been covered extensively by a number of European Commission studies, see for example CEC (1994a). Competing evidence that regional disparities have widened and will continue to widen is presented by Begg and Mayes (1993), Steinle (1992) and Dunford (1993).

[19]This is congruent with McAleavey and Mitchell's (1994) argument that the impact of a transnational lobby of regional interests was limited prior to the 1988 reforms. Whilst such lobbies (for instance for the Objective 2 funds) became stronger and more coherent in the early 1990s the authors question whether it had any real impact on either the Commission or Member States.

[20]As a House of Lords report put it in 1982: ' . . . member States which have had little direct return from the ERDF have become more determined to ensure that if there is to be a European Fund to assist regional development it should not be simply a mechanism for transferring resources from the Community budget to the poorer Member States. These governments argue in the Council of Ministers that additionality and a genuine Community dimension to regional development must be guaranteed if they are to continue to support ERDF . . . These governments too are obliged to constrain public expenditure. There is therefore an added concern to see that Community money is well spent for Community purposes', in House of Lords, Select Committee on the European Communities, *Revision of the European Regional Development Fund*, Session 1981-1982, 12th Report (London: HMSO), 1982, pp. xix-xx.

[21]For a specific case of national variation see the ECOSOC report on the role of the social partners in Structural Fund implementation, ECOSOC (1994), *Opinion on the involvement of social partners in Community regional policy*, 27th January. reprinted in OJ C No 127/25, 1994. For a general overview of the differing systems of regional and local government across the European Union, see the European Parliament Working Document (1993), *The Powers of Regional and Local Authorities and their Role in the European Union.*

[22]'How to Grab the EC Money', *Financial Times*, 7th February 1992; and A. Smith and D. Gardner, 'UK split over EC funds for Mining Rejuvenation', *Financial Times*, 18th December 1992.

[23]The most comprehensive study of this for the United Kingdom is by Bache. (1995), which shows that while the RECHAR dispute forced the British Treasury to make all Structural Funds payments to local authorities transparent and accountable, central funding to local authorities has been cut in other areas. Interviews by the author in France as well as the United Kingdom, would confirm that this is not solely a British phenomenon, but that the United Kingdom represents the extreme case.

[24]As Hooghe suggests, 'Cohesion policy is intrinsically more vulnerable to opposition than competition policy. It needs active and sustained participation by a variety of actors, while competition policy works best in a low mobilised environment. The former also needs a steady flow of European money, staff, organisational resources, and policy planning. The policy environment is an agglomerate of various policies, and a variety of groups are involved' (Hooghe 1996, p.29).

[25]This is taken from Delors' speech to representatives of the Objective 2 regions where he argues: '. . . nous voulons que vous puissiez mobilisier toutes les forces vives de votre région. A un moment où les démocraties s'amolissent, le fait que vous avez réussi souvent . . . à réunir tout le monde, le public et ce privé, le patronat, les syndicats, les organisations agricoles, les associations, c'est excellent. Nous voulons favorisier ce partenariat pour une raison simple: nous croyons qu'aujourd'hui, penser le développement c'est plus une affaire des agents locaux qu'une affaire de l'échelon central, même s'il faut garder une philosophie centrale de l'aménagement du territoire.' (Delors, speech published in: CEC (1991a), *Le reconversion des régions industrielles: Rencontre des 60 régions éligibles à l'objectif 2 des fonds structurels*, Brussels, 8th July 1991)

[26]In his 1988 address to the European Parliament the section on economic and social cohesion opens as follows: 'Completion of the Internal Market, a central element of European integration, will become really meaningful only if it brings balanced economic and social progress within the large frontier-free area' ('Programme of the Commission for 1988: Statement by Jacques Delors to the European Parliament', *Bulletin of the EC*, Supplement 1/88).

[27]This also reflects the different emphasis of the ERDF prior to 1988. Most support was given to hard infrastructure projects, such the improvement of public utilities (water, sewerage and electricity) and communications (roads and railways). Except for extremely large projects minimal economic impact analysis was undertaken. Following the 1988 reforms and the gradual shift towards *softer* infrastructure projects such as business support and advice, economic impact analysis became more important in ensuring that the Structural Funds were implemented in line with State Aids and Competition policies.

[28]Preliminary results from the author's research concur with Hooghe's assertion. Indeed I would argue that for some parts of the Directorate General this trend has been reinforced by the appointment of desk offices appointed specifically because of their extensive knowledge of the regions and the member state's institutional structures and economic problems. For desk officers dealing with member states where patterns of subnational mobilisation have greater coherence and where there are extensive national institutions for regional policy, their role has been quite different. As the chapter highlights in the period after 1993, this argument is coherent with DG XVI's shift to greater pragmatism in the implementation of its policies.

[29]The support given to the Saar-Lor-Lux under the INTERREG programmes has been extended to other cross-border initiatives. RECHAR is the another case of plans coming from sub-national authorities or their representatives.

[30]Title 1, Article B of the Treaty of European Union states: The Union shall set itself the following objective(s): 'to promote economic and social progress which is balanced and sustainable, in particular through the creation of an area without internal frontiers, through the strengthening of economic and social cohesion and through the establishment of economic and monetary union, ultimately including a single currency in accordance with the provisions of this Treaty' (CEC 1993b).

[31]A detailed summary of the chronology of the revisions is provided by Bachtler and Michie (1994). For a more comprehensive overview the relevant volumes of Yuill, D. *et al.* (1992; 1993; 1994) should be consulted.

[32]The new Objective 4 set out in Council Regulation (EEC) No 2081/93 Art. 4 (4) states that the appropriate Structural Funds should be targeted at: 'facilitating the adaptation of workers of either sex to industrial changes in production systems'. It reflects the principal theme of the Delors White Paper.

[33]In Wells (1995), I have presented the early findings of a case study into the response of the United Kingdom 'regions' to the European Structural Funds. In particular this has focused on the delivery of the funds under 'regionalised' institutional structures of central government in Yorkshire and Humberside. In April 1994 the British government announced the merger of the regional offices of its central government departments, namely those of Trade and Industry, Employment, Environment and Transport. These were called Integrated regional offices or regional Government Offices and one of their objectives was to better manage the European Structural Funds. The study presents these problems and the development Government Office for Yorkshire Humberside's relations with DG XVI.

[34]As Yuill *et al.* highlight: 'policy makers believe strongly that there is too little consultation with Member States regarding the introduction of CIs. Indeed, the negotiation process has been described as a 'complete sham' with the predominance of self-interest. Member States claim that they are often completely surprised when the new CIs are launched. However, Member States and regions have a vested interest in receiving as much EC finance as possible, and it is difficult for them to object constructively to Commission proposals without harming their chances of obtaining funding. Policy makers are frequently under political pressure, especially at regional levels, to apply for and use CI funds regardless of whether the money is limited and the measures are inappropriate or undesirable' (Yuill *et al* 1993, p.77)

[35]Council Regulation (EEC) No 2082/93 Article 29a: 'Management Committee for Community Initiatives' states: 'In accordance with Art. 17 of Regulation (EEC) No 2052/88, a Management Committee for Community Initiatives, made up of Member States' representatives and chaired by the Commission representative is hereby set up under the auspices of the Commission. The EIB shall appoint a non-voting representative'. In addition 'the Commission representative shall submit to the

Committee a draft of the measures to be taken. The committee shall deliver an opinion on the draft . . .'

[36]See in particular Amin and Malmberg (1992) and Amin (1992) who highlight the influence of the regional 'success stories', such as Emilia-Romagna and Baden Würtemberg, on the Community's regional policies. Moreover, both articles coherently dismiss the theoretical basis of flexible specialisation, the premise supporting a Europe of 'self-sustaining' regional economies.

[37]It can be argued that the pillar of economic and social cohesion has become the 'moral high ground' in debates on Community policy since the agreement of the Treaty of European Union.

[38]The use of the French *aménagement du territoire* instead of the English spatial policy/planning is intended to convey a greater and more complex scope for such policies. Although its root lies in French spatial planning ideas its modern usage does not necessarily draw on the economic theories which supported French regional policy of the 1950s and 1960s.

[39]On the Commission's future plans for research and technological development in regional policies see Landabaso (1995) and on the role of inter-regional co-operation in European integration, see Cappellin and Batey (1993).

[40]See for example: Hilpert (1992); Hingel (1992); Bauer *et al.* (1990); and CADMOS SA (1991).

[41]CEC (1994d) *Europe 2000+* presents evidence of trans-regional activity in eight 'sub-regions' of the European Union. The eight have been labelled as follows: North Sea Regions; Centre Capitals; Atlantic Arc; Alpine Arc; Continental Diagonal; New Länder; Mediterranean Regions; and Ultra-Peripheral Regions (i.e. the French DOM plus the Azores, Madeira and the Canaries).

3

BACKGROUND: 1989-93 IMPLEMENTATION OF THE STRUCTURAL FUNDS

3.1 INTRODUCTION

By using detailed case studies of two regions, this thesis tests the ideas of the multi-level governance theorists and explains variations between regions using policy networks analysis. To strengthen the conclusions which are drawn from the case studies a common framework is used, as outlined in Chapter 1. In presenting the primary material, the framework of analysis is tested for its capacity to capture the panoply of different types of organisations involved in policy implementation. Each will have different preferences and they will form a variety of relationships with each other.

The allocations to the Objective 2 programmes were larger than in the previous period (1989-93) and the 1993 revisions to Structural Funds regulations made important changes to the way the funds were to be implemented. These two issues explain many of the operational and organisational issues which surrounded the implementation of the 1994-96 SPDs in Lorraine and Yorkshire and Humberside (CEC 1993g).[1] One of the 1993 revisions to the 1988 reforms of the Structural Funds required the preparation by each region eligible for Objectives 1, 2 or 5b funds of a Single Programming Document (SPD) for agreement by the European Commission (CEC 1993g, p.22). The SPD would contain a rationale to underpin the delivery of the funds (in the form of a regional economic analysis and economic strategy) and outline the administrative arrangements required for its implementation.

Following reorganisation of the regional offices of government departments in England in April 1994, the preparation of these documents was charged to the new integrated regional offices (IROs).[2] These offices coordinated the preparation of the SPD in the region and then submitted the draft document to the DTI who then presented all SPDs for the United Kingdom to the European Commission. For the Yorkshire and Humberside region, the administration of the European Structural Funds came under the control of the Government Office for Yorkshire and Humberside (GOYH).[3] While GOYH had responsibility for writing the SPD, under the regulations this was carried out in 'partnership' with various local and regional authorities and agencies. Following the agreement of the SPD, the partnership was responsible for the implementation of the economic strategy contained in this document.[4]

As in the United Kingdom, each of the French regions eligible for Objective 2 Structural Funds assistance for the 1994-99 period had to prepare a single programming document. In France these documents were called *Documents Unique de Programmation* (DOCUP) and were set out on similar lines to their United Kingdom counterparts. Unlike England, the French subnational authorities (regional, local, municipal and communal authorities) have a long tradition of working with the representatives of the state on a day-to-day basis. Through the system of generalised field administration, centred on the regional *préfectures*, the French state has a presence at the regional level. Moreover, the *préfecture* allows, in theory, for central policy to be implemented coherently in the regions. Although with very different administrative traditions, this is similar to the role of the Scottish and Welsh Offices in the United Kingdom. It is the regional *préfecture*, and not the *Conseil régional* which is responsible for the implementation of the DOCUP, although under the Structural Funds regulations, partnership is required with the subnational authorities and other agencies.

Recent debate on whether the decentralisation programme was successful has focused on variations in policy development and the level of discretionary authority held by the French regions (Le Galès and John, 1997). As Smyrl argues 'relations between the region's elected officials on the one hand and the *préfet* and his technical staff on the other are thus at the centre of any question of discretionary authority in France' (Smyrl 1997, p. 295). The notion that a *Conseil régional* (or other non-state organisation) may to some extent have discretionary authority is therefore counter to the administrative theory of the French state, 'one of whose functions is to harmonise not only policy but also its implementation throughout France' (Smyrl 1997, p. 295). In the preparation, negotiation and implementation of the DOCUPs, where the Structural Funds regulations emphasise partnership a test of the extent of partnership, is therefore the degree to which non-state organisations secure such *discretionary authority*, with or without the compliance of the *préfet de region.*

For the Lorraine region the administration of the Structural Funds comes under the control of the *Préfecture de Région Lorraine*, and in particular the *Secrétariat Général pour les Affaires Régionales* (SGAR) within the *préfecture.* Although SGAR had responsibility for the administration of the DOCUP, it had, under the Structural Funds regulations, to work in a partnership with local and regional authorities.

3.2 Implementation in the United Kingdom

The focus for this case study is the implementation of the Objective 2 funds in Yorkshire and Humberside between 1994 and 1996. However, many of the issues and concerns of the regional partners regarding this period were evident in the previous Objective 2 funding period between 1989 and 1993. Based on material provided in the ex post evaluations of this period and from various interviews, this section summarises the programming and partnership of the Funds during this period.

3.2.1 United Kingdom: The 1989-93 East of England Community Support Framework

The Development of Programmes

Areas within Yorkshire and Humberside had a long history of receiving support from the ERDF, and after 1988, from the Structural Funds. The funds were delivered in a two stage process. This differs from the period following 1994, as the 1993 revisions to the Structural Funds introduced Single Programming Documents, involving only one stage of negotiation between the partners. Between 1989-93 the funds were delivered in accordance with a broad strategy document (the Community Support Framework) covering a large area, with subsequent Operational Programmes (OPs) being drawn up to guide the delivery in smaller geographic areas.

The reorganisation of the regional offices of government in 1994 also changed the geographic responsibilities of each of the regional DTI and DoE offices (the two departments with responsibility for the Structural Funds). Prior to the reorganisation, Yorkshire and Humberside fell in the Eastern Region departmental area of the DTI and the Northern Region of the DoE. As the DTI had primary responsibility for the funds the CSF covered its Eastern England area (EECSF). The 1994 reorganisation meant that each integrated regional office was now responsible for an area which approximated to a Standard Planning Region.

The 1989-93 EECSF covered two ERDF areas which had received ERDF funds prior to 1989, namely the Bradford Integrated Development Operation (BIDO) and the Yorkshire and Humberside Steel Area Integrated Development Operation (YHSA IDO). The CSF also included four new Operational Programmes (OPs): East Midlands Region (EMROP); Humberside (HOP); Mid Yorkshire (MYOP); and the Unifund for the East of England. Whereas the IDOs and OPs were funded from the ERDF, the Unifund (for training initiatives) was funded from the European Social Fund (ESF). Following agreement to the CSF in 1989, these Operational Programmes and the Unifund were agreed by mid-1991. Support was later extended to the end of 1993 through the agreement of new programmes (HOP II; MYOP II etc.). As the ex post evaluation conducted in 1996 by the European Policy Research

Centre (EPRC) found, the EECSF brought considerable funds for economic regeneration:

> Altogether, these Objective 2 programmes brought well over £300 million of Community funds into the area, which was complemented by a further substantial sum coming through the various Community Initiatives, particularly RECHAR and RESIDER . . . [However] much of this investment was devoted to physical assets and particularly to hard infrastructure, so the impact of the programmes on the regions' main economic problems will take some time to become apparent (EPRC 1996, p.3).[5]

The 1989-93 period was also a time of fragmentation and privatisation in the United Kingdom public sector, with increasing involvement of private sector organisations and quangos in the implementation of regional and local economic development policies. This also impacted on the implementation of the Structural Funds, with a wider array of organisations being drawn into their implementation. This meant that increasingly complex arrangements for the accounting of public expenditure, particularly where projects were managed in conjunction with the private sector, were required. However, the local authorities continued to receive the majority of these funds (EPRC 1996, p.3) throughout the period, partly because of their experience of the Structural Funds. More importantly, they were traditionally the principal agency involved in local economic development and the coordination of hard public infrastructure construction. However, as local authority finances were squeezed, they had to source matching funding (required to match against the ERDF and ESF) from an expanding array of other public and private agencies. That is, although they may remain the lead sponsor for a project, the project may only be able to proceed with substantial assistance from other agencies.

The CSF was underpinned by a regional development strategy which was used to underpin the strategies used in the OPs. As the economic development consultancy Pieda found in their interim evaluation of the EECSF, most of the priorities of the OPs were vaguely defined and 'are fairly similar and indeed could apply to economic development activity in most areas' (Pieda 1994, p.16). However, EPRC suggest that the HOP and BIDO programmes, by drawing on independent studies of their areas, had drawn up priorities which were at least relevant to the problems the areas faced; although for the BIDO this was 'a leap from academic analysis to practical action'

(EPRC 1996, p. 11) in the development of the IDO. In the negotiation between the partners and the European Commission, EPRC found that the Commission pushed for strategies to be more responsive to local problems. Despite this, they found that a typical criticism was: 'In the case of the YHSA IDO, the programme was described as a wish-list, rationalised to fit a strategy . . . only loosely related to the problems of the area' (ECPR 1996, p.12). Moreover, 'the Commission was felt to be very influential in shaping the programme, with the IDOs being "filled out to a European format"' (EPRC 1996, p.12). EPRC go on to state:

> While this seems a largely negative view, it perhaps should be seen as more a criticism of the process than the product. While the practical necessity of having a deliverable programme related to real projects will play a part, it is very likely that projects 'on the shelf' will be embedded in an implicit or explicit strategy and based on an overt or intuitive analysis of a region's problems and needs . . . [and also] in the case of the IDOs, the CSF was of no practical relevance to the development of their strategy and objectives, as the documents were approved before the CSF. For the Operational Programmes the CSF was, in the view of our interviewees, also of limited relevance. This partly reflects the nature of the programmes, which were very much project- rather than strategy-focused, and also reflects the focus of attention of the programme participants (largely local authorities) which was very much towards seeing the process and the programme as a means of realising their 'wish list' of projects (EPRC 1996, p.12).

The OPs were prepared to meet the requirements of the CSF. They outlined the measures the Structural Funds allocated to the OP would support. It also put in place a number of crude output targets for what the funds would support. With regard to the strategy underpinning the use of the funds the EPRC argue:

> The Operational Programme documents were inevitably produced over a short period of time. In most cases there was no pre-existing work on the development of an economic strategy covering the whole Programme area, though individual local authorities had developed ideas and strategies to tackle key problems and opportunities (Pieda 1994, p.17). In general, targets for each OP were not produced on the basis of detailed assessments of the programmes. Instead, "they were intended to provide broad magnitudes of the impact each Action Programme/Measure and of the cumulative impact of the programme" (Pieda 1994, p.14; cited in EPRC 1996, p.13).

EPRC suggest that the homogeneity of programmes was not surprising due to the framework laid out in the CSF. The exceptions to this were the IOPs which predated the CSF. A further issue was that the CSF had taken time to negotiate and as a consequence the nominal programming period was actually much smaller by the time the OPs had been agreed. This reduced the period of time which projects could be drawn up and presented for support. Both EPRC and Pieda found that this undermined the local relevance of the IOPs. Thus the strategic dimension of the programmes was reduced:

> a number of partnerships - once in operation - amounted to the "wish lists" of Partners. This was perhaps inevitable given the nature of the original Programme documents which did not (nor were intended to) set out a clear series of specific interlinked projects which were cumulative in their impact (Pieda 1994, p.75).

An important finding at the end of EPRC's research, was that when interviewees were asked whether, in hindsight, they would have radically altered anything, a typical response was, 'infrastructure was a key at the time; what was on offer was appropriate for where we were' (EPRC 1996, p. 15).

All the programmes in the East of England Objective 2 CSF were extended to the end of 1993 (for the three OPs this extension was two years, for the IDOs just one year). For the IDOs, the effect was to 'drag them into the mainstream' and to bring them in line with the 1988 reforms, including a switch from support for hard infrastructure to more business support-type activities. EPRC suggest that this reflected local needs at the time and that many of the hard infrastructure deficiencies had already been remedied. This is also borne out by the original 1994-96 SPD draft (April 1994) which highlighted how the ERDF programmes had begun to move in this direction. Although the strategies had changed direction, it is evident that this was not necessarily reflected in a profile of expenditure, where transport infrastructure remained important. This is because a few transport projects can quickly consume substantial parts of an Operational Programme's forecast expenditure.

The shift in strategic emphasis is also reflected in the way in which the partnerships worked. Coupled to the fragmentation of local economic development provision in the public sector a range of new partners had been brought into the Structural Funds process. Although this is partly explained by a contraction of the activities of local authorities, it is also true that many of the new soft infrastructure or business support activities required were delivered by other sponsors. In comparison, many hard infrastructure schemes were able to proceed in relative isolation with only a single sponsor.[6] EPRC noted also that there was increasing emphasis on strategies and objectives, and in this case, 'such a change was clearly seen as one being driven by the Commission' (EPRC 1996, p.17). In addition central government thinking as to the priorities of regeneration had also changed. From the late 1980s the DTI had increasingly supported enterprise initiatives (as opposed to support for industrial sites or site reclamation) and the assistance for business support initiatives was a reflection of this. In this respect, European programmes and government schemes were to some degree complementary.

With all operational programmes being criticised by EPRC for being project led rather than strategy driven, it might be anticipated that the projects would be disparate and poorly integrated. However, there is some evidence to suggest that there was some integration of different activities. There is a link between infrastructure provision (for instance to a business site) and employment development requiring various training schemes. As Sheffield Business School found in their evaluation of the YHSA IDO 'all sub-programmes, but especially transport, contributed to the achievement of the objectives of other sub-programmes' (SBS 1992, p.123). Other examples were found in the provision of training courses to meet business needs (EPRC 1996, p. 17). However, each of these highlighted the *ad hoc* nature of project led approaches, the counter factual question being, what impact would the Structural Funds have if they were driven by a coherent economic strategy?

These issues are not confined to the Structural Funds but cut across all local economic development activities where service provision has become fragmented. In this environment the Structural Funds were often seen as a pool from which to draw down the maximum possible funds available. That is economic development projects were not prioritised on the basis of the sponsor's economic strategy, but rather the projects which would get support from the Structural Funds. As one interviewee remarked to the EPRC researchers, 'there was a lack of coherent corporate direction, certainly at the programme level within the local authority stemming from a lack of coherent policy generally' (EPRC 1996, p.17).[7]

The main theme from the discussion above is that central government and the Commission had attempted to push economic strategies away from hard infrastructure provision and towards business support measures. However, in chapter four of the EPRC evaluation an analysis of the financial profiles of expenditure under the East of England CSF reveals that this was not necessarily reflected in the ex post financial profiles of the programmes. While there were differences across the OPs, the most significant across the whole CSF was the dominance of expenditure on transport infrastructure. Across the newer OPs (EMROP I, HOP I and MYOP I) this was 32 per cent. For the YHSA IDOP it was 47 per cent against an original plan of 39 per cent. At the time of writing, detailed financial tables covering the 1991-93 period were not available (i.e. for EMROP II, HOP II etc.). However, virement of funds across priority areas was a recurring theme, and the direction of the vired funds was typically away from business support and towards transport. While EPRC found that the later CSF and OPs had planned to increase the spending on such priorities, as the end date of programmes drew closer and these areas had under spent, funds were reallocated (vired across) in CSF and OP financial tables.

EPRC briefly mention the role of the private sector. To a greater or lesser extent most of the OPs had aimed to increase the involvement of private sector finance in Structural Funds projects. This is indicated by the financial tables prepared in the OPs. More widely, it also reflects the changing environment of United Kingdom economic regeneration, where the use of private finance has been prioritised by central government and local agencies alike. However, EPRC highlight the shortfalls in the forecasts made in the OPs, and partly explain these by the United Kingdom recession at the time. As research into the 94-96 SPD found, many of the forecasts of private sector contributions made, were put down to the experience of those putting the SPD together than any attempt to accurately forecast what such contributions might amount to.[8]

Chapter 5 of the EPRC evaluation sets out the 'outputs and impacts' of the EECSF; although as the authors noted, the 'true impact . . . would take many years to materialise, particularly the large infrastructure component' (EPRC 1996, p.22). In the short term EPRC found that many of their survey respondents highlighted the less tangible aspects of the Structural Funds implementation as being important. In particular the actual experience of participation in programmes, such as in areas of partnership and in the strategic methods of regeneration were both important and provided a valuable learning experience. As to outputs, it was often cited that such activities had generated an air of renewal, particularly where there had been involvement in flag ship projects. EPRC suggest that with changes in the local and regional economy difficult to disaggregate, estimates of the net/deadweight impact of the Structural Funds can not be made with significant confidence.[9] While the actual physical targets can be measured (kilometres of road built, land reclaimed, numbers of enterprises assisted), whether there is additionality at project and programme levels remains difficult to assess.

Management and Monitoring of Programmes

Chapter 6 of the EPRC evaluation on 'management and organisation' is more relevant to the case study of programming and partnership in the region. As highlighted above, the OPs tended to be project led rather than strategy driven, although as programmes developed the operation of partnerships improved. As regards the integration of the OPs within the CSF the Pieda report found that: i. linkages were difficult to make across different OPs and within the larger OPs; ii. over time the linkages within programmes improved; iii. linkages between ERDF and ESF were difficult to achieve in the available timescale.

As to the management of the CSF it was found that the two-tier system, with co-ordinating Committees and Working Groups, in addition to an overall CSF Committee, was too bureaucratic, large and unwieldy (Pieda 1994, p.76). In addition there was a divergent approach taken by the two government departments involved in the programme, the DoE and DTI. The EPRC findings, however, only give a contradictory list of explanations as to why the relationship between the DoE and

DTI, with the local authorities in particular, sometimes worked well and sometimes was problematic.[10] The report also shows the favourable impression of many partners to the European Commission's role, although it argues that the Commission was attempting to exert greater and greater control towards the end of the programmes.[11]

Structural Funds are allocated by priority in each of the OPs. It is the responsibility of the co-ordinating committee, in line with the CSF Committee's guidance to draw up criteria for project selection. Projects submitted are then scored against these criteria. In the period up to 1993, EPRC highlight that there was 'little or no competition for ERDF resources' and attribute this to: the short time available to spend the money; the difficulty in finding eligible projects; and the difficulty of securing matching funding. These shaped the project selection process. Project selection tended to be on the basis of whether a project was eligible for support, than whether it proved to be a good project after rigorous evaluation of its value for money and its contribution to the programme's objectives. The case for transport projects was slightly different, where it was easier to find matching funding through the TSG (Transport Supplementary Grant). With other priorities experiencing underspend, transport projects became increasingly favoured. Project appraisal was also made more complex by different government departments imposing their own criteria. The creation of the Government Offices in 1994 at least removed this problem from the operation of the 1994-96 SPD; although project selection was to remain problematic.

Another problematic area in the implementation of the programmes was monitoring. EPRC highlight that there was a lack of in depth monitoring by the DoE, although the practices of the DTI appeared to be more rigorous. Pieda (1994, p.10) were very critical of the DoE's monitoring of projects, finding no evidence of monitoring visits, and the information held in records to be unreliable. 'In particular, the data did not account for deadweight, displacement or "knock-on" effects' (Pieda 1994, p.94). These problems were recognised by the work of the National Audit Office which has been very critical of some of the implementation practices of the Structural Funds (Interview: source confidential).[12]

Outcomes from 1989-93

In EPRC's concluding analysis of the 1989-93 EECSF, their principal point is that the impact of the Structural Funds is difficult to measure, at least in the short term. As a percentage of regional GDP the Structural Funds are small: for example, EMROP added 0.2 per cent to regional GDP. Moreover, the structural problems of a region and particularly of certain sectors and those faced by certain communities are large. As EPRC highlight:

> The types of employees who became unemployed - from large employers in basic heavy industries - have consistently been identified as having a limited number of transferable skills and are likely to be lacking in entrepreneurial qualities: in the case of jobs lost in the mining industry, the relative intractability of the employment problems is exacerbated by being concentrated in small communities (EPRC 1996, p.31).

The evaluation's second finding concentrated on the problem of additionality. In the first instance it is apparent that 'the great majority of ERDF-supported projects were additional in the sense of being larger in scale, better in quality or occurring sooner as a result of ERDF' (Pieda 1994; cited in EPRC 1996 p.32).[13]

The third section of EPRC's conclusions consider what lessons can be learned from the 1989-93 EECSF. These it claims are reflected in the 1994-96 SPDs, and include a focus on environmental issues and the better use of base line data. Also the move from project based to strategy based approaches to regeneration it claims will reduce the tendency to support partners' pet projects. In the context of the 1992-93 CSF, they claim that certain issues are taken forward by the 1994-96 Yorkshire and Humberside SPD. These are cited in the 1994-96 SPD (GOYH 1994, p.40):

- the need to establish a clear strategy for the use of the funds and communicate it clearly to the partners;
- a need for a more flexible and strategic approach;
- need to set more meaningful output targets and establish systems to monitor and record progress;

- need to encourage effective competition for funds through the involvement of a wide range of partners;
- need to encourage strong linkages between funds, for coherent local packages which maximise the impact of both ERDF and ESF;
- avoid duplication of effort.

These elements implied that the Structural Funds would be delivered more strategically in the 1994-96 programming period. The later chapters assess whether this has been the case or whether such strategic thinking in the programming and partnership of the funds merely paid lip service to the Structural Funds regulations.

3.3 Implementation in France

3.3.1 France: 1989-93 Objective 2 Programmes in Lorraine

As part of the extensive evaluation and monitoring of the Structural Funds, the research institute RIDER (based at Louvain-la-Neuve, Belgium) undertook the formal ex post evaluation of the Objective 2 Operational Programmes which were supported in Lorraine for the 1989-93 period. A draft of this evaluation was completed in July 1996, and it is this document which this section draws on. In contrast to the EPRC ex post evaluation of the 1989-93 East of England CSF, the RIDER evaluation differs in that it has a strong focus on the synergy of the Lorraine programme with other Structural Funds programmes and with the other activities of the regional and national partnerships.[14] The Objective 2 funds supported the 1989-91 and 1992-93 Operational Programmes for Lorraine and an Operational Programme for the *Pôle Européen de Développement* at Longwy (1992-93).

The Development of a Strategy

The priorities of the 1989-93 programmes drew from extensive studies which had been conducted for three large initiatives aimed at the industrial reconversion of the region: the ERDF support which had been targeted at the *le bassin houiller* area in north east Moselle since 1984; the economic programmes for the region coordinated by the *Ministère de l'Industrie* (e.g. *le programme productique*); and also general central government and *préfet* initiatives, such as the *Pôle Européen de Développement* (PED) at Longwy in the north of the Meurthe-et-Moselle *département*. The studies conducted to support these initiatives had been coordinated by SGAR and had attempted to conceptualise how the economic structure of the Lorraine economy (in both micro and macro economic terms) was changing.

The preparation of the Objective 2 programme allowed a synthesis of this work to be done, and to draw on the array of statistics which had been collected on the region.[15] According to the RIDER study this material was of a high standard. The actors in this process were from both central state departments and the region, but centred around, SGAR, the *Conseil régional*, and the *Conseil Economique et Social*. As Longwy had been targeted for special assistance since 1985, as a *Zone d'Aménagement*,[16] a considerable wealth of material had been created as a prerequisite to its funding. In identifying the needs which should be covered by the programme, certain actors were given leading roles. DRIRE (*Direction Régionale de l'Industrie, de la Recherche et de l'Environnement*) which had responsibility for delivering national enterprise policies in the regions drafted the main parts of the programme, with the *Conseil régional* preparing those parts which would coordinate expenditure from the European Social Funds. The *Conseil régional* consulted widely in preparing its section of the programme.[17] Although no ex ante evaluation of the strategy was to be conducted by SGAR, RIDER found that was probably not necessary given the strength of the studies which had already been conducted (RIDER 1996, p. 9).

Although DRIRE and the *Conseil régional* were responsible for the ERDF and ESF sections of the strategy, SGAR had overall responsibility for putting together the final draft. However, and as the RIDER evaluation highlights, except for the initiative of the *Conseil régional*, few partners were consulted. Exceptions included, further consultation with DRIRE, with the departmental prefectures over certain subregional issues (for instance on environmental issues and the development of industrial sites) and with *l'Education Nationale* over a particular scheme called *université 2000*. The PED was an exception to this as the principal actor there was the powerful *mission interministérielle du PED*. SGAR's consultation had therefore focused on central state actors and had not incorporated the views of the subnational authorities in a systematic way. RIDER argue that this was to the detriment of the programme because the subnational authorities are better intermediaries for realising the full impact regional programmes (RIDER 1996, p. 6).

The strategy prepared by SGAR however had to be revised following discussions with DG XVI. The Commission's criticisms focused on two areas. Firstly, they declared that, in three of the four departments of Lorraine, support for transport infrastructure, except for access links to industrial sites, was ineligible. The exception was the Vosges, which they accepted had an under developed road system. Secondly, DG XVI opposed the inclusion, in a measure to support urban renewal, of support for housing and improvements in living conditions. This was because there was not a direct link from such support to the formation of new businesses in the area.

RIDER examined the compatibility of the Objective 2 strategy with national and regional policies. They found that there was considerable overlap between the activities of the two. This was argued to be the result of a deliberate policy of the *préfecture* to align regional policies within wider European issues.[18] As to the other Structural Funds programmes in the region, such as the Community Initiatives, there was found to be a deliberate strategy on the part of the areas eligible to use a wide range of funds to achieve common goals, such as increasing the creation of new businesses. However, RIDER found evidence to suggest that the Objective 2 programmes were less sensitive than the Community Initiatives to the needs of local economies, and as a result local actors preferred the Community Initiatives. However, for the funds available, the administrative burden from the Community Initiatives was probably greater. In the first programming period (1989-91), where there was a single operational programme, the PED was perceived to unbalance the management and impact of the programme. This was because, as it was in receipt of substantial state funds, it could more easily find matching funding. As a result, it was given its own Operational Programme for 1992-93.

RIDER also discuss the impact the reform of the Structural Funds had on implementation in Lorraine, and in particular the impact on partnership. They found that in the Moselle *département* the programme built on existing structures, in particular though a *Comité d'Orientation* which was involved in project development. In Meurthe-et-Moselle, however, problems were created by the PED, where its existing structures unbalanced partnership workings for the other parts of the *département*. In the Vosges and Meuse the reform of the Structural Funds probably had a greater effect because partnerships had been less formalised. At the regional level, in the *Comités de Suivi*, the strength of the state, represented by ANVAR (*Agence National pour la Valorisation de Recherche*), DATAR (*Délégation à l'Aménagement du Territoire et à l'Action Régionale*) and DRIRE, tended to produce outcomes which were to the detriment of the subnational authorities.

The Strategy

The Objective 2 programming documents for 1989-93 contained a number of core themes. These were based around a SWOT analysis of the regional economy. The weaknesses of the economy were identified to be fivefold:

i. there was emigration of the young and economically dynamic people resulting in the highest net out migration of any region in France. Out migration was concentrated in the industrial declining areas of north Moselle and Longwy;

ii. the most dynamic workers were concentrated on an axis from Metz to Nancy which lies in the centre of the region and was not eligible for Objective 2 support. As a result there were fears of a Lorraine of 'two speeds';

iii. the economically active population was insufficiently qualified for the development of a large and dynamic SME sector;

iv. the urban environment in the north of the region and in the textile areas to the south was unattractive, for instance for inward investors;

v. many of the old industrial areas were inaccessible and therefore unsuited to the needs of SMEs in modern industries.

Against this, the strategy identified a number of strengths which included:

i. a young population;

ii. strong institutional structures for the support of new businesses;

iii. location at the intersection of east-west and north-south European road networks;

iv. areas of undeveloped tourist potential;

v. the recent establishment of organisations in the region to assist in the diversification of the economy and the support of technology, such as the technopoles at Metz and Nancy;

vi. involvement in large European and national programmes for economic intervention.

To develop these strengths and to counter the weaknesses of the Lorraine economy, the programme set three objectives:

i. the creation of new employment and economic activities;

ii. the improvement of industrial and urban areas; and

iii. the development of pilot projects in the environmental and tourist sectors.

These were then distilled into an Objective 2 programme which was to have four priorities:

i. the creation and development of enterprises;

ii. the need to balance the attractiveness of the region;

iii. to better realise the tourist potential;

iv. to strengthen the research base.

In total 97 MECU was allocated to the programme from the Structural Funds, with anticipated support in total of 405 MECU. This support was to be skewed towards the first two Priorities, which were budgeted to receive 42 per cent and 43 per cent of the Structural Funds support respectively. The other two priorities, were budgeted to receive nine per cent and four per cent respectively, with the remainder of the funds (two per cent) being allocated to a technical assistance budget. However, the structure of the programme was to change over the five years.

Table 3.1: Synthesis of the Principal Interventions in Lorraine Programmes (1989-91 and 1992-93 programming periods)

Types of Intervention	Number of Measures	Proportion of EU Funds (%)	Proportion of National Funds (%)	Proportion of Private Funds (%)
Support & Development of SMEs	6+9	23.3	16.5	79.9
Labour Market Intervention	7+11	18.8	16.1	0
Physical & Communications Infrastructure	1+3	21.8	40.0	2.7
Environment & Quality of Life	3+2	22.5	17.6	11.2
Tourism	2+5	9.3	7.3	1.6
R&D, technology and innovation	1+1	3.1	1.1	4.6
Other: technical assistance		1.2	1.3	0
TOTAL	20+31	100	100	100
Total Nominal Value (MECU)		97	150	156

Source: RIDER (1996) *Evaluation ex post des programmes Objectif 2 1989-93: Evaluation approfondie Lorraine*, (Louvain-la-Neuve: RIDER, unpublished)

Implementation of the Objective 2 Programme

The RIDER evaluation next turned to the evolution of the strategy over the 1989-93 period. Overall they found that the strategy had improved over this period. In particular it had integrated hard (e.g. physical infrastructure) and soft (e.g. business advice) assistance over the period. In addition three areas had improved dramatically. Firstly, there had been an increase in the emphasis on technological development: for instance in the support targeted at assisting businesses to adopt new technologies. Secondly, support for new businesses had improved, with a wider array of assistance being offered. Finally, the assistance offered to the tourism sector had improved, with more support on training of those working in the tourist industry which had been targeted at increasing the professionalisation of the sector, and improvements in the monitoring of tourism projects. In addition the second half of the programming period brought with it the introduction of an Operational Programme for the PED. This focused on support for enterprises and support to improve the attractiveness of the Longwy area, for instance through reducing its peripherality, reskilling the workforce and supporting town centre improvements.

Throughout the 1989-93 period support was given under two broad headings:

i. support for enterprises; and

ii. urban redevelopment, decentralisation of *Instituts Universitaires Technologiques* (IUT), and tourism.

The management of support for enterprises was coordinated by DRIRE, although it did draw on other organisations, such as APEILOR (*Association Pour l'Expansion Industrielle de la Lorraine*) and the CAPEs (*Comité d'Aménagement de Promotion et d'Expansion*). Essentially, DRIRE set the selection criteria which would be used and co-financed many of the projects which were supported. The main problem it faced was in the eligibility of projects which involved the support of SMEs. The second broader part of the programme was less successful. The exception was in the relocation of the IUT. This involved constructing small technical colleges in the outlying parts of the region, and typically in those areas with a concentration of old industries. Each IUT site focused on a particular technology or industry, such as chemicals and plastics at St-Avold, mechanical engineering at Forbach, maintenance engineers and eco-industries at Thionville, and wood technology in the Vosges. Each IUT was intended to compliment a local industrial pole with potential for growth.

The 1989-93 programme set a number of broad aims which included:

i. increasing the technological capability of firms and workers;

ii. reducing emigration from former industrial areas;

iii. reducing youth unemployment;

iv. improving the conditions for enterprise location; and

v. improving the image of the declining areas.

However, as many projects were only completed at the end of 1994, RIDER found that there was insufficient evidence to determine whether these had been met, that is, many projects would take longer for their full impact to be realised.

RIDER next discussed the methodology used for project selection. This they split into three areas, according to the objectives of the programme: support for enterprises; other measures, and support from the European Social Fund for training. Projects supporting enterprises, which had largely been coordinated by DRIRE, they found to have been examined rigorously before support had been awarded. An exception, were those projects which had been coordinated by other organisations, such as APEILOR and the CAPEs. Such projects had been selected by SGAR with APEILOR and the CAPEs delivering the projects. Here they found evidence that projects were poorly evaluated and monitored and that this was impacting on the overall viability of the projects supported. Projects supported under the other ERDF measures (urban regeneration, the IUTs and tourism) were found to be of mixed quality. In particular there were inconsistencies in the way in which projects had been selected. Finally, the RIDER evaluation had been satisfied with the way in which the ESF projects had been implemented.

The operation of the formal partnerships was also discussed. Recognising that there was a monopoly on the regional level committees, such as the *Comité de suivi*, by state organisations, RIDER found some evidence that this had suppressed the involvement of the regional and local authorities. Moreover, the state organisations (such as SGAR, DATAR and DRIRE) had often been poor in disseminating information to the regional and local authorities. However, the region had developed links with the European Commission through its office in Brussels. This had allowed it to voice its concerns and to conduct some lobbying, although this was largely involved developing links with the offices of other regions in Brussels. Despite the strong control by the state of the region-level partnerships, such as the *Comité de suivi*, RIDER argued that the committee functioned by trial and error. As a result it was reliant on DRIRE to provide studies on the impact the programme was having and where additional effort should be concentrated. As such, DRIRE was one of the most active participants on the *Comité de suivi*.

3.4 CONCLUSION

Evidence of the formation of networks and the development of strategies during this period was largely drawn from the formal ex post evaluations of this programming period conducted for DG XVI of the European Commission. The immediate impression given by this work, which has been supported by interviews, is of the stark contrast between the two regions. However, some caution should be shown in using material from the ex post evaluations. Although they are wide ranging and rigorous, they were conducted by two different organisations, each using its own methodology. The work by EPRC used interviews and analysis of expenditure to outline the performance of the programmes in the East of England. RIDER deliberately set to examine the integration of the Lorraine programmes with other forms of public expenditure and the linkages between the different organisations involved in developing the programmes. Applying the framework of analysis developed for this thesis to this evidence can therefore only provide conditional conclusions.

First of all, Yorkshire and Humberside did not even exist as a region for the purposes of an Objective 2 programme between 1989-93: it came under a programme which also covered the East Midlands. Except for regional government departments of the DTI and DoE, few other organisations of any note had a regional focus. Those which did exist were loose associations of the different partners (for example of the local authorities). This issue of functioning regional organisations immediately shapes many of the problems the East of England CSF faced. It was a large amount of funding dedicated to non-contiguous areas in the east of England. The contrast with Lorraine in this period could not be more stark. Lorraine had well established economic development powers which, since the 1960s, had been slowly transferred from the central government departments to regional and sub-regional institutions. Above all, successive governments, and particularly those of the 1980s, had prioritised regions as the main mechanism to deliver economic development policies. However, the forms the institutions which delivered regional policies were a mixture of deconcentrated, decentralised and regionalised organisations: with the balance of powers probably lying with those which were directly accountable to central government.

With economic development policy not having a regional (or even local) focus in the United Kingdom, there was little for the Structural Funds to build upon. The ex post evaluation conducted by EPRC suggests that the economic strategies which were developed were poor and concentrated on hard infrastructure (namely transport) projects. The case of Lorraine is very different where the Structural Funds were integrated into the national planning process, which since the mid 1980s had been largely delivered through *contrats de plan* (planning contracts) between the state and the region. The Objective 2 funds were relatively small in comparison to this much bigger (and wider in terms of policy areas) planning process. Without detailed analysis of expenditure of different levels of administration, it appears that the capacity of Lorraine to deliver an economic development programme was on an altogether larger scale than in the east of England. The sum total of resources at the disposal of actors in Lorraine is far greater; in particular in the financial, organisational and informational resources it contained.

Political and legal resources appear to be less important than these others, perhaps because they are not necessarily required to implement Structural Funds programmes. They are largely indirect, that is, they may shape the context in which the different actors operate. However, the degree to which the Structural Funds are controlled by sub national authorities is probably a function of the legal and political resources they hold. In both regions it was apparent that central government departments (DRIRE and DATAR in France, the DOE and DTI in the United Kingdom) were significant gatekeepers to the Structural Funds. However, although none of these bodies is accountable to the regions, a coherent framework of regional policy, gave DRIRE and DATAR stronger links to the regions. In both regions the role played by the European Commission appears to be very small. Although it attempted to shift the focus of the east of England CSF away from hard infrastructure, it did not have much success in achieving its aims. This suggests that it lacked the organisational and informational resources to actively shape economic strategies; while it could alter the CSFs, it had less power in the Operational Programmes which local authorities were more able to determine.

The density of relations between partners in Lorraine, and their overall capacity to implement economic development policies, suggests that a strong policy community had formed in the 1989-93 period at a regional level. However, central government departments, and the regional prefecture in the form of SGAR, held by far the most resources, although the role ascribed to sub national authorities was one which they did not challenge. The existence of vertical networks appears to be limited to subnational-central government links. Formal links to the European Commission were monopolised by central government, with subnational-European Commission links being far more informal. The lack of functioning partnerships in the east of England CSF, and in its Operational Programmes, highlights that the few resources which were available to implement the programme were held by a few partners. The paucity of the economic strategies developed during period reflects the inability of the loose issue network to effectively coordinate economic development policy.

NOTES

[1]The principle of Partnership (Framework Regulation Art. 4) changed from 'It involves close collaboration between the Commission and all the relevant authorities at national, regional or local

level appointed by each Member State, at all stages in programming' to 'In future, the Regulations provide for the *extension of partnership to the competent authorities and bodies* - including, within the framework of each Member State's national rules and current practices, the *economic and social partner, designated by the Member State*'. Moreover, provision is made that '*the partnership will be conducted in full compliance with the respective institutional, legal and financial powers of each of the partners*' (CEC 1993g, p.19, emphasis in Commission commentary).

The changes to the *procedures* for the principle of programming were more complex and included *inter alia* (Framework Regulation Art. 8, 9, 10, 11 and Coordination Regulation Art 5, 6, 10): 'In the 1988 Regulations programming would consist of three stages for each of the Objectives. i. a *development plan* submitted by the Member State, which depending on the case, presents at national or regional level a diagnostic analysis of the situation [...]; ii. the *Community support framework* (CSF) established by the Commission in collaboration with the Member State and the regions concerned, which sets out the priorities, funding and forms of assistance; iii. operational aid measures, which generally takes the form of the *operational programme* (OP) but may also resemble *other forms* of assistance (global grants, large projects, aid schemes) [...].'

These were adjusted as follows. 'The revised Regulations provide for a series of new elements to be incorporated in the *development plans, inter alia*: *specific objectives, quantifies* where they lend themselves to quantification; the evaluation of the *environmental impact* of the strategy and operations proposed in terms of sustainable development principles; an *indicative overall financial table* summarising the national and Community financial resources provided for, corresponding to each regional development priority Objective 1 only). The *Community support framework* and the *forms of assistance* are retained. However to simplify and speed up the programming procedure for Objectives 1 to 4 and 5b, the revised Regulations allow Member States to submit a *single programming document* comprising the development plan and the applications for assistance relating to it. With regard to the Member States which submit a single document of this nature, the Commission will adopt a single decision incorporating the details normally set out in the CSFs and OPs or other forms of assistance' (CEC 1993g, p.22).

The *scope* of the activities covered under programming also changed. ERDF in the original Regulations (ERDF Regulation Art 1) could support: productive investment; infrastructures; development of indigenous potential - local development and SMEs; pilot projects. To this was added: investment in education and health in Objective 1 regions; includes trans-European networks; research and development in the Objective 1, 2 and 5b regions. ESF (ESF Regulation Art 1) could support: vocational training; start-up aid; and innovative measures. To this was added: training schemes in the Objective 1 regions; educational schemes in the Objective 1, 2 and 5b regions; research and development in the Objective 1, 2 and 5b regions. Changes were also made to the EAGGF Guidance Section (Art 2) and to the FIFG (Art 3). However, neither is used to support Objective 2 expenditure.

[2]The IROs became known as the Government Offices for the Regions.

[3]Following the reorganisation of local government in Humberside where the two tier system of district councils and the county council was replaced by unitary authorities in April 1996, Humberside as an administrative entity ceased to exist. Consequently Humberside is now often referred to as 'the Humber'. As most of the research for this chapter considers the period prior to this change, Yorkshire and Humberside is used consistently, except where an organisation has specifically changed its name.

[4]For brevity the 'Regulations' refers to the Structural Fund Regulations of 1988 as revised in 1993. These include Council (EEC) No 2081/93 (Framework Regulation), No 2082/93 (Coordination Regulation), No 2083/93 (ERDF), No 2084/93 (ESF), No 2085/93 (EAGGF), No 2086/93 (FIFG).

[5]The most recent work conducted on the 1989-93 East of England CSF was by EPRC's ex post evaluation for DG XVI. EPRC (1996) is referred to extensively for its coverage of the 1989-93 programming period. For consistency reference is only made to EPRC, although the actual evaluation of the 1989-93 EECSF was conducted by the Policy Research Centre, Leeds Metropolitan University. The 1989-93 period was discussed in some of the interviews I conducted, although this was often to give the context to an issue which had arisen in the 1994-96 programming period. Most work on the

Structural Funds has been as part of DG XVI's extensive evaluations of the funds' impact (ex ante and ex post).

[6]EPRC over simplify the point. That is although single projects might proceed with the involvement of only one sponsor, they may in fact be part of a wider regeneration strategy which involves the provision of hard infrastructure and the development of services for soft infrastructure. Project integration (synergy) is often difficult to measure using typical output measures often employed in evaluations such as the one conducted by EPRC.

[7]Other problems regarding integration which the EPRC found were: i. that the process of programme development inhibited local priorities because there had to be conformity with the CSF and other nationally and Commission defined objectives. ii. in the early stages of the programmes there was a feeling of isolation from Europe. However, the partners, particularly local authorities have quickly mobilised resources to reduce this feeling (see Wells 1995).

[8]In discussions on private sector contribution as detailed in the SPD, a typical response was that they were 'back of a fag packet calculations' and entered because the Commission had asked for them in the financial tables.

[9]EPRC state: 'It is difficult to measure the impact of programmes in terms of job creation. As with all elements of the programmes, there needs to be a longer time period before all impacts become evident: in the case of employment, this can include both allowing for projects to develop to their full employment potential and to ensure that jobs created are jobs which will last beyond the immediate impact of any assistance. Second, many jobs associated with Structural Fund spending, at the project justification stage, are only indirectly linked to the project - as in the case of claimed employment benefits of infrastructure spending - and it is therefore both difficult to identify them and hard to estimate how far their existence is attributable to programme actions. Third, there are the well-established problems of identifying displacement and substitution effects. Finally, Pieda (Pieda 1994, p.58) identified the problem of deficiencies in the monitoring systems as operated by most of the partners, making the data that does exist of doubtful value.

[10]These ranged from different organisational cultures (DoE more regulatory, DTI more enterprise driven); different local authority - government department relations (e.g. DoE looks after local authority finances); partnerships that worked well were due more to relations between individuals, than to inter-organisational cultures.

[11]This point might be true, however, it also reflects the Commission's attempts to shift regional economic strategies away from their focus on hard infrastructure and towards other areas. For many, particularly in the local authorities, this has created problems.

[12]Chapter 7 of the EPRC report highlights that environmental issues were under developed in the 89-93 period. Although there were references to the need for actions to address these, they were underdeveloped and were not supported by a coherent strategy. In addition, there was no analysis of what the environmental problems in the eligible areas consisted of, and how they should be addressed. Moreover, there was little integration between economic development and the environment. As one of EPRC's respondents suggested: 'European regeneration programmes almost inevitably seem to involve pouring a lot of concrete' (EPRC 1996, p.30. The role of the environmental authorities, many now privatised utilities, was also not clear.

[13]However, the definition of additionality was also problematic: 'Additionality is usually defined as the extent to which public sector support or grant leads to a project (or economic event) happening that would not have happened in the absence of the grant or in support. "Partial" additionality occurs where the grant brings forward a topic in time or helps improve its scale or quality. This topic caused difficulties to some programme managers and individual project managers. For ERDF projects part of the reason for this was that many local authorities were in a period of "capital rationing" when they had to both find matching funding for ERDF (at a rate of 50 per cent or more) and capital cover for the ERDF grant element. Receipt of ERDF did not, therefore, increase their overall availability to fund additional capital projects, though it did reduce the level of borrowing needed and so the future stream of loan payments. There is, therefore, a distinction between additionality at a project level and in terms of resources available to an area as a whole' (Pieda 1994, p.4).

[14]Unlike the EPRC document (the ex post evaluation of the East of England Operational Programmes), which relied on a more descriptive approach, RIDER have attempted to conduct the evaluation in the framework set out in the MEANS handbooks. MEANS was a five year project funded by DG XVI to improve the methodolgies used for evaluating the impact of the Structural Funds.

[15]According to the RIDER evaluation, these included: 'statistiques de l'INSEE, diagnostic annuel du Bureau d'Information et de Prévision Economique, Observatoire Régional de l'Emploi, de la Formation Professionelle et des Qualifications' (RIDER 1996, p. 4).

[16] A national policy targeted at those regions suffering enormous decline in traditional industries.

[17]The RIDER report highlights that they consulted: 'des syndicats, des représentants des entreprises des principaux secteurs, des organes déconcentrés de l'Etat, et des chambres consulaires' (RIDER 1996, p. 9).

[18]This is something the *Préfet de Région* argued was part of creating *une paternité européenne* (RIDER 1996, p. 7).

4

Allocation of Structural Funds for the 1994-99 Programming Periods

4.1 Introduction

The revision of the Structural Funds regulations in 1993 made a number of important changes to both the allocation of funds across regions and the areas eligible for funding within regions. Although the principal alterations agreed at the Edinburgh summit in December 1992 represented a significant shift in resources to the Cohesion Four group of countries, the new funding allocation also brought changes for the northern member states.[1] The principal change was to the map of eligible areas which for the first time could include Objective 1 areas at a spatial scale less than NUTS I.[2] This was an important development, because it allowed regions or sub-regions in the northern member states to become eligible for Objective 1 funds.[3] Along with the five Länder (and East Berlin) of the former eastern Germany (which would have qualified anyway as they are NUTS I regions with less than 75 per cent of the Community average GDP per capita), the new areas were, Hainaut (Belgium), part of Nord-Pas de Calais (France),[4] Merseyside and Highlands and Islands (United Kingdom), Cantabria (Spain), and Flevoland (Netherlands).

In the Objective 2 funding map for the United Kingdom a significant change was the inclusion of six London boroughs (Enfield, Hackney, Haringey, Newham, Tower Hamlets and Waltham Forest - together known as the East London and Lee Valley programme area), along with Thanet in north Kent and Plymouth,[5] whilst the eligible areas in the northern regions of the United Kingdom were reduced. Along with changes in other Member States, these revisions to the map of eligible areas meant that Objective 2 funds were targeted at smaller geographic units, and typically towards urban areas.[6]

The 1993 revisions to the Structural Funds regulations, as in the United Kingdom, were to affect the areas eligible for Structural Fund support in France. Again, the first issue concerning the regions and the central state was the decision on those areas eligible for Objective 1 funds.[7] As Conzelmann highlights 'the delimitation of areas eligible for ERDF aid is negotiated entirely between the French state, acting through DATAR, and the Commission' (Conzelmann 1995, p. 152; see also Doutriaux 1992, p.100). This is similar to the United Kingdom, where the decision rested largely with the DTI, although it is taken following consultation with the DoE.[8]

However, this was not a new development, and the fact that the Objective 2 eligible areas map was not reduced by more, suggests that the Objective 2 lobby - through *inter alia* RETI and the Coalfield Communities Campaign - successfully presented a case to the European Commission and the European Parliament for only a few changes to be made in the 1993 revisions. As shown in the discussion of the 1989-93 programmes, proving that the Structural Funds had been spent effectively was a difficult case to make, and that future rounds of funding should not be targeted solely on disadvantaged urban communities. That urban policy might displace regional policy was highlighted as early as 1991 when discussion for the 1993 revisions was just beginning. As Peter Crampton (MEP, Humberside) warned in a letter to the leader of the then Humberside County Council (30 July, 1991):

> Suggestions for changes being mooted are (for example): a replacement of Objective 2 by efforts to relieve urban problems throughout the Community; a definition of areas eligible under Objective 2 related not to industrial employment but (where possible) to criteria such as density of habitation, migration, age of housing stock and quality of public infrastructure (in addition to the traditional criteria of unemployment and per capita income); that the concept of 'industrial decline' be abandoned in favour of a more general approach to urban policy.

The other changes to the regulations represented more of 'a tidying-up exercise' than a whole scale rewrite.[9] These included changes to the principle of programming, so that Operational Programmes and Community Support Frameworks would be replaced by a Single Programming Document. This was at the instigation of the United Kingdom government although other northern member states, such as France and Germany supported this move.[10] As one DTI civil servant commenting on the reaction of the Commission, put it:

> They [the Commission] have the ear of the local authorities who would have preferred to continue with the CSFs. At the end of the day they had to accept that the choice resides with the government. And as the government had a clear plan for the SPDs then that is what they had to accept. They had to accept even if there were slight mutterings.

Although the move to SPDs gave government departments of member states more control over the process vis-à-vis the operational programmes, all sides acknowledged that the SPD would speed up the process of programming. The SPD was also to reinforce the principle of targeting in that it was drawn up at a coherent geographic level and where possible at the level of regional government.

However, Tim Eggar (then Minister for Industry and Energy) when asked what the SPDs represented stated:

> They are responses to requirements in Brussels in terms of the way in which documents are set out. I would not . . . describe them as an examination paper. I think they do have a bit more value than that [as devices to get money], but certainly I do not think they are the right instrument for becoming 'the regional plan' for that particular region (House of Commons *Evidence to Trade and Industry Committee on Regional Policy* 1995, p. 99).

Eggar's comments reflected the Conservative government's view of the Structural Funds and regional policy. As civil servants working for Eggar commented, the SPDs are perceived to give central government departments more control over how the money is dispersed. This contradicts the view of both the European Commission and regional partners who saw the introduction of SPDs, at the very least, as balancing powers between the regions, member state executives, and the European Commission.

Prior to the designation of areas eligible for the Structural funds the United Kingdom government had considered a number of possible candidates for Objective 1 status. With the result of the Edinburgh summit allowing for the inclusion of one region or possibly two sub-regions, parts of the North East, South Yorkshire, South Wales, Cornwall, Merseyside, Strathclyde and the Highlands and Islands had all been considered. Notably, the Council of Ministers rejected even greater Objective 1 coverage to more than two sub-regions. Interviews in South Yorkshire with local authority officers suggest that this was first and foremost a central government decision, although Commission agreement was required. It was stressed that there was no consultation with representatives from South Yorkshire. The local authorities were unaware that there had been the possibility of Objective 1 status until Merseyside and Highlands and Islands had been chosen. At the time South Yorkshire's GDP per capita against an European Union average was comparable to that of Merseyside (although other indicators reveal that Merseyside was a more 'typical' Objective 1 region).

4.2 Funding Allocation and Eligible Areas

4.2.1 Yorkshire and Humberside

When the map of areas eligible for Objective 2 funds in Yorkshire and Humberside was redrawn certain areas became ineligible for Community assistance.[11] These included the loss of parts of the Bradford travel-to-work-area (TTWA), parts of Grimsby TTWA, Goole and some rural areas in the Hull TTWA. Thus the areas eligible for Objective 2 assistance between 1994-96 are concentrated into three sub-regional areas:[12]

i. South Yorkshire (Sheffield, Rotherham, Barnsley and Doncaster TTWAs). Population in eligible area: 1,296,000.

ii. Humberside (Doncaster TTWA - that part in Humberside, Grimsby TTWA - that part in Humberside, Hull TTWA - the whole TTWA excluding the Holderness District, Scunthorpe TTWA - that part in Humberside). Population in eligible areas 686,000.

iii. West Yorkshire (Wakefield and Dewsbury TTWAs, those parts of Castleford and Pontefract TTWAs lying in West Yorkshire, and parts of Bradford and Kirklees TTWAs). Population in eligible areas: 615,000.

In all 2,597,000 people live within an Objective 2 eligible area, 52 per cent of the population of Yorkshire and Humberside. As Leeds continued to be the fastest growing financial centre in England and Wales over the 1989-93 period, it together with large parts of Bradford failed to qualify for the 1994-96 Objective 2 funding round (as it had also done in the previous round).

For the 1994-96 period 313 MECU was allocated to the Objective 2 SPD in Yorkshire and Humberside. As with the list of eligible areas, funds were allocated by central government, although they were negotiated and agreed with the European Commission beforehand.[13] The United Kingdom government based these allocations primarily on the population living in the eligible area. After the allocation had been made to the region the local authorities in South Yorkshire lobbied GOYH and the monitoring committee for an enhanced Objective 2 status: both to give it greater autonomy in the implementation of the programme and to ring-fence a substantial part of the 313 MECU for South Yorkshire. Neither was possible under the regulations. Further attempts were made during the negotiations of the SPD for its financial tables to include allocations to the three sub-regions; again this was not permitted, partly because representatives from Humberside and West Yorkshire were opposed. Finally in the early Programming Monitoring Committee meetings of 1995 it was agreed that there would be indicative allocations to the sub-regions for the first year of the programme. These were calculated net of Government co-financed schemes, Regional Challenge, allocations to the TECs, and a remainder left to be allocated as the programme developed.[14]

4.2.2 Lorraine

Eligible Areas Map

Parts of Lorraine, like South Yorkshire, saw the decision to extend eligibility for Objective 1 to the northern Member States as an opportunity to secure greater funding, which Objective 1 would provide. However, as with South Yorkshire, Lorraine was ultimately to fail in its attempts to secure any Objective 1 support, and as with South Yorkshire, perceived that it had lost out to another region. The intention of the initial decision to extend Objective 1 to the northern Member States was not to allow an area in each Member State to receive Objective 1 support, rather it would go to those in greatest need and beneath the cut off level of 75 per cent of European Union GDP per capita. In 1993, no areas in France, even at NUTS 3 level would have qualified. However, that the Council of Ministers had extended eligibility for Objective 1 to the north, meant that all the northern Member States wanted a share of the funds available. The original intention had been that Hainaut in Belgium, and Merseyside and Highlands and Islands in the United Kingdom would be the main beneficiaries.

Conzelmann's study of Nord-Pas de Calais supports the argument which suggests that the decision of the central state can be influenced by concerted lobbying from a region which has both the support of powerful regional politicians and the agreement of the *préfet de region*. Conzelmann suggests that 'through the close partnership of the region with its Belgian neighbours, the regional council had received an early warning that Belgium sought to have some of its troubled spots in the Hainaut area reallocated to the category of Objective 1 aid' (Conzelmann 1995, p. 152). The regional leaders emphasised that a region in such close proximity to one receiving considerably more support would put their economy at a distinct disadvantage. Dubbed the French Hainaut, they pressed for eligibility for the three neighbouring *arrondissements* of Valenciennes, Douai and Avesnes.

However, the course Nord-Pas de Calais took in securing eligibility for Objective 1 is instructive. Conzelmann found that the *Conseil régional* first obtained the support of the *préfet* for such a move and then informally approached DATAR and other ministries with their request. The pressure the region applied was not to the European Union institutions, who would have to sanction the eligibility of any areas, but to utilise the state's far stronger and more formal links with the European Union institutions. Finally although the state was opposed by DG XVI, France secured Objective 1 status for these areas. This is proof that there is a political element involved in the negotiations on eligible areas and that there are close relations between the centre and the periphery. However, the incident also suggests that certain regions, such as Nord-Pas de Calais, might be more effective in mobilising political support than others, such as Lorraine. That Nord-Pas de Calais secured eligibility for Objective 1 support, was also to do with a window of opportunity which presented itself, and one which was not open to Lorraine. That is, Nord-Pas de Calais could argue on the grounds that they had equally poor areas as Hainaut which were adjacent to the eligible area in Belgium.

Lorraine therefore had to concern itself with securing the widest possible eligible area for Objective 2 and Objective 5b. The funding allocation each programme area receives is decided, more or less, transparently, by applying a common formula to all programmes within a certain Objective. This, as is discussed below, is based on the level of unemployment and the total population in the eligible area. It is therefore in the interests of the region to increase the coverage of the eligible area, principally in population terms, so as to increase its funding allocation. As the director of Lorraine's office in Brussels commented: 'during this time we had to fight Nord-Pas de Calais because we were the two main competitors for money. Previously we thought the balance was in favour of Nord-Pas de Calais, especially when they succeeded in getting Objective 1.'

However, the scope for action by elected leaders and their officers in deciding the eligible areas map is not as great as the previous quote suggests. A civil servant at DATAR suggested that: 'when we look at the zoning [eligible areas] . . . we always ask the *préfet* to see if the other authorities on the regional level have propositions, above all so that they can have a consensus.' Allaying fears that the eligible areas map was decided by DATAR, the same civil servant suggested that: 'we don't just put the machinery in place. . . we aim for partnership all the time.' However, DATAR ensured that there was an upper limit on the population which could be in an eligible area in each region. The negotiations it participated in were therefore to decide the distribution of eligible areas within Lorraine. With few drastic changes to the economic situation of the eligible areas since they were set in 1989 there were few calls for any changes. The only change to the Objective 2 area was to extend the eligible area in the *département* of Meurthe-et-Moselle to include the *zone d'emploi* of Briey. This followed further contraction of employment in Briey's steel and coal mining industries. The largest changes to the eligible areas was under Objective 5b. As an officer at the Moselle *Conseil général* commented: 'in the Moselle the actual zoning is just the same as the actual 1989-93 period . . . For Moselle, the most important thing was to obtain funds for Objective 5b.' This pattern was reflected across France with an increase in the size of the area eligible for Objective 5b. The Objective 2 areas in Lorraine were to consist of the following:

i. Meurthe et Moselle: The *zones d'emploi* of Longwy and Briey. Population: 159,400.

ii. Moselle: The *zones d'emploi* of Bassin Houiller and Thionville. Population: 584,400.

iii. Vosges: The *zones d'emploi* of Epinal, Remirement-Geradmer and Saint-Dié. Population: 321,200.

In total 1,065,000 people resided in areas eligible for Objective 2 support, or 46 per cent of the Lorraine population.

The decision on the eligible areas map highlights two points in the implementation of the Structural Funds. Firstly, that the Commission's role is solely to ensure that the member state apply a valid methodology for selecting eligible areas in a clear way. Secondly, that unless there are dramatic changes in the condition of parts of the regional economy, then few changes will be made to the eligible areas. The eligible areas have therefore changed very little since 1989 when the Structural Funds were reformed. As the desk officer for Lorraine at DG XVI commented: 'it depends on the state. Would the state want to reopen this debate when it is a long fight that lasts three months?'

Funding Allocation

After the eligible areas had been decided by the French state and approved and published by the European Commission, an interministerial committee, CIAT (*Comitée Interministerielle d'Aménagement du Territoire*) decided on the allocations of Structural Funds for each of the 22 regions. As with the eligible areas map a clear methodology was used. As a civil servant at DATAR commented:

> the first issue is with the Commission, for the amount France can get [in the allocation of the EU budget]. . . and once we have the national amount . . . we can split. Also . . . . the negotiation is with the Commission on the criteria we want to use . . . sometimes we have to adjust, but usually its not that much.

Here certain problems arose where the economic position of certain regions changed. As the same civil servant commented: 'we had some problems with certain regions which used to have a lot of money before so you have to make a transition and change.'

The Commission's weakness in this area is borne out by a DG XVI desk officer: 'it is the state which decides. It's calculated on the basis of the population and unemployment level in the region.' However guidelines are given by the Commission as to the weight each factor (population and unemployment) should receive. While the Commission guidelines gave each equal weight, 'DATAR gives 25 per cent weighting to unemployment [and 75 per cent to the population of the eligible area].' The *préfet* was asked by DATAR to consult the partners over the allocation. As in Yorkshire and Humberside, there were pressures from the subregional level (i.e. the *départements*) for a greater share of the funds. However the criteria stood and the CIAT proposed the allocations each programme would receive.

Some interviewees stressed that although there was little change to the eligible areas, and therefore to the funding allocation each programme received in Lorraine, intensive lobbying of DATAR had taken place. For instance, the director of the Lorraine delegation to Brussels had written frequently to DATAR with statistics which differed to the ones DATAR were using. On many occasions the letters had been signed by the then president of the *Conseil régional* and Minister of Industry, Gérard Longuet. The impact of such lobbying is unclear as interviews with civil servants in DATAR maintained that CIAT had decided the allocations on the basis of the data which they had prepared. However, for the eligible areas map and for the funding allocations, it appears that the central state, through DATAR, had reasserted its control. As the Director of the Lorraine delegation argued: 'DATAR have all the power. The Commission only recognise the national level even now, even after partnership and things like this, the Commission has stated that one [partner] is more equal than the other.' Other interviews would appear to bear this out for this part of the process. It was in the reform of the regulations in 1988 and the original delimitation of eligible areas that the regions had greater influence. However, the fact that the central state did not push through wide ranging changes following the 1993 revisions, suggests that the status quo was largely maintained.

The following table highlights that per capita, each programme received around 40 ECU per person for each year. The variation which exists can probably be accounted for by differing unemployment rates in the regions concerned. Any attempts to lobby would therefore have focused on the unemployment rate DATAR used to allocate the funds. However, the variation in the figures, even accounting for differing unemployment rates, suggests that the effects of lobbying were minuscule. In comparison, the Yorkshire and Humberside Objective 2 programme equated to 40.2 ECUs per person for each year for the 1994-96 programming period. Although the allocation to member states varies, the allocation to areas eligible for Objective 2 is very similar, suggesting that the agreement between the Commission and the Member State which set the criteria for targeting the funds was adhered to in the United Kingdom and France.

Table 4.1: Distribution of the Structural Funds to the French Regions

	Industrial Zones Objective 2 (1994-1996)	ECUs per person per year	Rural Zones Objective 5b (1994-1999)	ECUs per person per year	Lagging Zones Objective 1 (1994-1999)	ECUs per person per year
Alsace	19.6	37.6	47.6	30.6	0	0
Aquitaine	107.1	40.4	227	38.5	0	0
Auvergne	61.1	40.3	168.7	41	0	0
Bourgogne	49.4	39	112.7	41.6	0	0
Bretagne	89.7	39.2	186.3	35.1	0	0
Centre	24.2	39	84.1	39.5	0	0
Champagnes-Ardenne	77.5	39.3	29.3	45	0	0
Corse	0	0	0	0	250	167
Franche-Comté	47.8	38.5	76.5	36.1	0	0
Ile-de-France	0	0	0	0	0	0
Languedoc-Roussillon	70.5	42.6	123.5	43	0	0
Limousin	0	0	131.2	40.5	0	0
Lorraine	127.4	38.6	97.3	35.5	0	0
Midi-Pyrénées	42.6	38.1	289.7	41	0	0
Nord-Pas de Calais	318.1	41	0	0	440	87
Basse-Normandie	57.8	39.1	133.3	33.2	0	0
Haute Normandie	146	41.7	11.2	33.6	0	0
Pays de la Loire	135.9	39.8	122	34.3	0	0
Picardie	122.4	40	0	0	0	0
Poitou-Charentes	53.3	41.2	130.1	36.3	0	0
Provence-Alpes-Côte d'Azur	113.1	42.5	92.6	48.3	0	0
Rhône-Alpes	99.7	40.1	172.9	36.5	0	0
Départements d'outre-mer	0	0	0	0	1,500	171

Source: Assemblée Nationale (1996) *Rapport d'Information (No. 2693).*

Notes: in millions of ECUs (1 ECU = 6.6 francs)

The claims that Nord-Pas de Calais was the main competitor for funds is not borne out, either by the process of funding allocation or evidence of the economic structure of the two regions. Nord-Pas de Calais received more substantial support than Lorraine because of its poorer economic position. Although the award of Objective 1 status to three *arrondissements* can be questioned, Eurostat data suggests that these areas were just eligible. Indeed, the whole of the Pas de Calais *département* had a GDP per capita 75 per cent of the EU12 average (based on purchasing power standards in 1990). The poorest *département* in Lorraine, Meuse, had a GDP per capita of 89 per cent the European Union average. The rural Meuse was also ineligible for Objective 2 funding, although it did receive substantial Objective 5b support. The few changes to the map of eligible areas and funding allocations across France reflect the control of the centre in this stage of the process. However, the evidence available suggests that when the eligible areas map and funding allocations were set in 1989 this stage of the process had been more fluid and open to regional influence. Both Lorraine and Nord-Pas de Calais had been active in RETI which had led the campaign for Objective 2 funds in the late 1980s. Through RETI it is arguable that both regions had an impact on the regulations and also, perhaps more significantly, on the establishment of Community Initiatives such as RECHAR, RESIDER and RETEX. Coal, steel and textiles were important industrial sectors to the two regions. The following table, based on Eurostat data, sets out the relative position of the two regions in 1990.

Table 4.2: Lorraine and Nord-Pas de Calais Compared

Indicator	Lorraine	Nord-Pas de Calais
Population	2.3 million	4 million
Eligible population (Obj. 1)	0	0.8 million
Eligible population (Obj. 2)	1.1 million	2.6 million
Eligible population (Obj. 5b)	0.5 million	0
Activity Rate (per cent)	52	51
Unemployment (per cent)	8	11.8
Industral Employment (per cent)	35	33
Change since 1975 (per cent)	-12	-15
GDP per capita (EUR PPS = 100)	91	87

Source: CEC EUROSTAT (1993), *A Portrait of the Regions*, and Assemblée Nationale (1996) *Rapport d'Information (No. 2693)*.

Conzelmann argues that the control of the process by the centre, coupled to the order in which the process of funding allocation takes place reduces the incentive for the regions to deliver programmes of outstanding quality or imagination (Conzelmann 1995, p.153). This is because the funds allocated to a particular programme is removed from the process of programme drafting and negotiation. However, both the French government and the European Commission have defended the process. For example, the European Commission has stated that the *indicative* budgetary envelopes are based on the positions which the regional *préfets* propose in their operational programmes; however it is the quality and coherence of these programmes which the European Commission use to base their *definitive* allocation of funds upon (translated from 7 jours Europe, 21 February 1994).[15]

DG XVI have also argued that agreeing the DOCUP through negotiation rather than competition allows programmes to be shaped to match the needs of the region. Under a system of competition, they argue, those authorities with greater financial resources would be more likely to produce the programmes which would win approval (DG XVI interviews).

4.3 CONCLUSION

Decisions over the funding allocation to individual programmes were taken during 1993, with the map of eligible areas being announced in early 1994. Programme allocations follow on from decisions in the Council of Ministers over the allocation of the European Union's budget between the Member States. This decision was taken at the Edinburgh Summit in December 1992. Findings from both case studies found that while individual regions sought to influence the share of the resources they would receive, the most important negotiations took place between central government departments and within the intergovernmental institutions such as COREPER. In the negotiation of the funding allocation and designation of eligible areas, issue networks spanning regional, central and European Union policy actors did emerge. However, resources in these networks were monopolised by central government policy actors and mobilised in intergovernmental negotiations. In these, the European Commission was present and ensured adherence to the regulations, but could do little else. The subnational actors of the United Kingdom and France were excluded.

Agreement over the Objective 2 funds was predated by a decision to extend Objective 1 status to parts of regions in northern Member States. Findings from both the United Kingdom and France suggest that the eligible areas had been extended to include as many areas as possible, with the result that France, Belgium and the Netherlands received Objective 1 support for parts of single regions in each country; the United Kingdom managed to obtain Objective 1 status for three regions: Merseyside, Highlands and Islands, and Northern Ireland. Although both Lorraine and Yorkshire and Humberside had sought Objective 1 status, their claim was poor. What the evidence shows is that those regions which were successful actively lobbied their own Member State to support their case in intergovernmental negotiations. In this process the role of the Commission was to be a passive one, to ensure that all Member States used a transparent methodology to select the eligible regions.

A similar process took place in the designation of the eligible areas for Objective 2 programmes. The central government of both member states emphasised the importance of continuation in selecting the eligible areas, changes were only made at the edges. However, the United Kingdom government did push through some minor changes. It sought to extend eligibility of the funds to parts of southern England. It did this by defining the eligible areas at a much smaller spatial scale. This meant that parts of the Humber and West Yorkshire lost eligibility because, although overall they experienced decline worse than London and the southern counties, the decline in the south was more geographically concentrated than on the Humber and in West Yorkshire. Again, this stage appears to have been steered by central governments with only a limited input from the region, with the European Commission again playing the role of overseer. Finally, while the European Commission set the broad criteria for allocating funds to eligible areas, these were applied by the Member States. In both the United Kingdom and France, this worked out at approximately 40 ECU per person per year of the programme.

The evidence suggests that the funds were allocated on an objective basis, although both member states were able to make certain changes at the edges. The priority of actors in both regions was for the programme allocations to be made which would allow the process of planning SPDs to begin. The tight timescale in which the funds were allocated meant that it was not in the interests of any actor to delay the process. The research did not investigate the allocation of funds in 1989. However, with the Structural Funds being implemented along entirely new principles the process may have been more fluid although given the control of eligible areas and funding allocation in 1993 by both Member States this was probably also true in 1989.

NOTES

[1]See OJ L 81 Commission Decision of 20 January establishes an initial list of declining industrial areas concerned by Objective 2 as defined by Council Regulation (EEC No 2052/88)

[2]In the United Kingdom, Standard Planning Regions equate to NUTS 1 areas, in Germany it is Länder, and in Italy it is Regioni.

[3]Up until 1993 Objective 1 support had gone to the whole of Greece and Portugal, the Mezzogiorno, most of Spain, the Republic of Ireland and Northern Ireland.

[4]Includes the three *arrondissements* of Avesnes, Douai and Valenciennes (CEC 1994b). These were christened the French Hainaut as French government had negotiated for their inclusion because Belgian Hainaut, across the border, had been included in the Objective 1 list.

[5]These boroughs undoubtedly face severe economic and social problems. However, they mark a departure for European regional policies in focusing Objective 2 funds at a relatively small geographic units. They also mark a departure from support solely to regions containing traditional industries (coal, steel, textiles and ship building). Regions containing the traditional industries perceived this shift to be also driven by electoral considerations as many contained or bordered Conservative held parliamentary seats. In the case of the East London and Lee Valley, once the possibility of Objective 2 support had been offered, a strong multi partner lobbying campaign of both the United Kingdom government, the Commission and the European Parliament began.

[6]Recent suggestions by some Member States' governments and by President Delors before he left office point to the European Union gaining greater competencies in the Urban Policy field, but with the loss of resources to certain regional policy areas, such as Objective 2. For a recent survey of current developments and future possibilities in the urban policy field see Hughes (EIS 1994).

McAleavey and Mitchell (1994) highlight the role the 'Objective 2 lobby' played. In July 1991, 60 of the regions eligible for Objective 2 assistance met at a meeting arranged by DG XVI in Brussels. Bruce Millan said of the meeting that it marked, 'the first time that regional development practitioners from all sixty regions designated by the Commission as suffering the effects of industrial decline, were able to come together and discuss what are essentially common problems' (CEC 1992d, p.9). As McAleavey and Mitchell suggest, this was not a technical workshop but a meeting geared for putting pressure on the Commission Presidency. Further meetings continued throughout 1991 and in Florence in December a group of eight regions were nominated to form the 'Objective 2 lobby'. These were Catalonia, Wallonia, Tuscany, North Jutland, Nord-Pas de Calais, North Rhine-Westphalia, Groningen-Drenth and Strathclyde.

McAleavey and Mitchell state 'At his meeting with Millan in April 1992, [Charles] Gray [then leader of Strathclyde Regional Council] asked to be supported in his effort to gain an audience with the

Member State ministers with responsibility for regional policy, scheduled to meet in Council in Lisbon in May. The lobby thereby demonstrated its awareness of the importance of the intergovernmental arena in the reform process. It was never likely that such an unprecedented delegation to ministers in the closed Council forum would take place, but the pressure exerted by the lobby gained a concession when a small delegation met the Portuguese Minister for Regional Policy, representing the President in Office of the Council, on his own' (McAleavey and Mitchell 1994, p.243).

[7]The overall funds allocated to each Member State was announced in a Commission Decision on 28th October, 1993.

[8]The competences of the central state, coordinated by DATAR, are set out in an Assemblée Nationale report (1996): 'La DATAR est l'administration chargée de la coordination des trois objectifs (1, 2 & 5b) et des programmes d'initiative communautaire. Elle participe à la définition, à l'organisation et au suivi des procédures de gestion et de mise en œuvre des Fonds structurels. Elle participe aux négociations relatives aux zonages, aux arbitrages sur les allocations financières entre les zones et à l'organisation des négociations avec la Commission' (Assemblée Nationale 1996, p. 47).

[9]The other main revision to the Structural Funds was the collapsing together of Objective 3 and 4 (for long term and youth unemployment) and the creation of a new Objective 4, targeted at facilitating the adaptation of workers to industrial changes in production systems. This reflects a priority of the Delors White Paper and was intended to reflect the better use of the ESF. However, the United Kingdom government had refused to submit SPDs for the new Objective 4 arguing that this new objective was too interventionist, and that long-term and youth unemployment were more of a priority than retraining existing workers to adapt to new technologies. The United Kingdom was still eligible for the Community Initiatives which reflect similar themes as those supported by Objective 4 (ADAPT and EMPLOYMENT). Although Portillo's decision was widely criticised (The Guardian (19th August 1994), *Portillo Rejects the New Training Cash*) many interviewees in TECs and local authorities in Objective 2 areas tacitly acknowledged that the resulting reallocation in Objective 3 of most of the Objective 4 allocation, suited them as their problems were first and foremost tackling problems of structural unemployment. Local authorities outside Objective 2 areas would probably be less positive.

[10]Interviews (February 1996) with central government civil servants in the DTI and DoE suggest that the move to SPDs was a United Kingdom initiative as a reaction to the bureaucratic complexity of the CSF method. It was accepted by the other northern member states and subsequently used for Objectives 2-4, 5b and 6. The rationale being that it removed the need for separate CSFs and OPs. The interviewees also argue that it gave them greater control and moved them away from mechanisms for underwriting local authorities pet projects. As such they claim that it altered Commission-United Kingdom government relations on regional policy.

[11]The designation of areas eligible areas for the Structural Funds is made against objective criteria. Areas eligible for Objective 2 support must satisfy Council Regulation (EEC) No 2052/88 as amended by (EEC) No 2082/93. Article 9 defines three criteria which the area must satisfy to be eligible for Objective 2 Structural Funds. These include, a higher than European Union average unemployment, at some point since 1975, a higher than European Union average in industrial employment in and with respect to this reference year an observable fall in industrial employment. However, it was argued by the local authorities that there had been increased 'pepper-potting'. That is, whilst the criteria were not changed, smaller geographic units (in the case of West Yorkshire at ward level) were used for analysis, leading to certain communities losing eligibility. Although this increases the targeting of resources, it undermined the rationale of Objective 2 which was to recognise that structural policies needed to be implemented at a larger spatial scale.

[12]The complete list (initial) areas eligible for Objective 2 funds is contained in the Commission Decision of 20 January 1994 (CEC 1996b). Although the Member State prepares the list it uses criteria which the Commission approve. For the 94-96 period, anticipated job loss figures could be included.

[13]A specific formula is not used. However, the Commission line is that it is based of the population in the eligible area modulated by the unemployment rate.

[14]North Yorkshire, although not containing areas suffering industrial decline (as measured by the Structural Funds criteria) was eligible for Objective 5b funds for parts of the North Yorkshire Moors. The bid for this funding was jointly prepared by the government offices of three regions (Y&H, North East and North West) and entitled the Northern Uplands programme. In this the North Yorkshire Moors forms only a small part with the largest areas covered being extensive tracts of Northumbria and Cumbria. As such most administration is conducted by GONE (Government Office for the North East). Clearly the needs of the Objective 5b areas are very different from the areas suffering from industrial decline and forming effective delivery mechanisms to implement development programmes have proved more difficult than for the other eligible areas. However, the Northern Uplands SPD was one of the first to be accepted by the Commission and used as a model for another Objective 5b SPD.

[15]Les enveloppes indiquées ... sont les bases à partir desquelles chaque préfet de région proposera un programme opérationnel: la qualité et la cohérence de celui-ci seront les critères de détermination de l'enveloppe définitivement attribuée par la Commission (7 jours Europe, 21 February 1994; cited in Conzelmann 1995, p. 153).

5

PREPARATION OF THE SINGLE PROGRAMMING DOCUMENTS

5.1 INTRODUCTION

The next phase of the Structural Funds implementation was the preparation of an economic development strategy which would direct the use of the funds. Under the revised Structural Funds regulations, these strategies would contain financial allocations to different types of expenditure and take the form of 'single programming documents' (SPDs). Under the principle of partnership, established in the 1988 reforms of the Structural Funds, these documents would be prepared in a partnership between subnational authorities, the member state concerned, and the European Commission. However, the 1993 revisions to the Structural Funds meant that the selection of subnational partners for involvement in the process was at the discretion of the member state.

The findings from this stage of the process are central to the thesis. Firstly, they concern the capacity of regional actors to develop an economic strategy, and secondly, they concern the relationship between these regional actors and central government and the European Commission. Moreover this stage of the process provides evidence as to the nature of the policy networks in existence in the two regions, the influence of the member state and European Commission on these, and critically, whether certain actors in the policy network can mobilise resources to realise certain policy objectives. The focus for the study of strategy development is the degree to which regional policy actors shift from policy outcomes which begin with the receipt of financial resources to objectives which are based on the impact of the economic strategy.

5.2 The Search for a Coherent Regional Strategy for Yorkshire and Humberside

Although the 1989-93 period had brought unprecedented links between the Commission and subnational authorities through the implementation of the Structural Funds, the relationship was clearly neither static nor symmetrical. Although many of the partnerships had planned a wide range of activities for Structural Funds support and the Commission increasingly put pressure on partnerships to develop more business support and soft infrastructure projects, at the end of the programmes many had resorted to more traditional schemes, biased towards transport infrastructure. This was in part due to the under performance of the local partners in bringing forward business support or soft infrastructure projects, and in part due to local partners' ability, especially that of the local authorities, to develop activities not in their traditional remit for local economic development. DG XVI actively encouraged the regional partners to develop regional economic strategies and agreed to give financial support for regional partnerships to do this.[1] With financial assistance it was up to the regional partnerships to define their economic strategy. The introduction of SPDs provided an ideal vehicle for regional economic strategies to be realised.

5.2.1 Preparation: 1. The Strategy as a Lobbying Document

The formation of a regional strategy was intended to serve two interconnected purposes. Firstly, without a regional tier of government, it was to provide a mechanism which could bring together disparate regional partners, set out the problems the region faced and how these should be addressed, and finally identify the structures which should be put in place to see that the strategy was realised. This process would also serve to coordinate the partners' actions when they lobbied for European Union Structural Funds.[2] That is, lobbying was not for the funds per se but rather for the regional partners to justify supporting a specific activity.

The presence of the Structural Funds and the assertion that they were required to gain support provoked many north of England regions, along with South Wales and Scotland, to develop regional economic strategies. In most regions the strategy was drawn up under the guidance of a wide partnership of public and private interests. Yorkshire and Humberside was no different. The idea of the strategy was initially developed by the Yorkshire and Humberside Regional Association (YHRA - an association of Yorkshire and Humberside local authorities)[3] who, through the Yorkshire and Humberside Partnership (YHP), consulted other public and private interests.[4] On this basis a financial commitment (£50,000) by DG XVI was made and matched with contributions from many of the partners. The steering group to co-ordinate the strategy was chaired by the Secretary to the TUC Regional Council but included broad representation from different organisations. It was agreed that YHRA would act as the secretariat for the preparation of the document although it was given resources to contract out the necessary research.

The strategy followed two lines of development. The first was a review of the regional economy by the consultants ReRO and York Consulting, which was to provide the context for any later strategies and programmes. The second line was the strategy itself and 'involved the active involvement of a wide range of partners in Yorkshire and Humberside' (YHRA 1993, p.1). In addition over one hundred and twenty organisations and individuals were invited to make an input to the strategy. With considerable assistance from YHRA, the 'Yorkshire and Humberside Regional Strategy: A Partnership for Europe' was published in March 1993. As a former director of the YHP commented on the preparation of the strategy:

> The regional strategy targeted on providing documentary evidence to enable for the lobbying of European Funds. And you can argue that it was successful in terms of the funding for this region, because it lost only a very small amount of Objective 2 aid but gained Objective 5b . . . Which was good because we had expected to lose out because of other demands, such as Merseyside getting Objective 1.

However, the same interviewee immediately qualified the virtues of the strategy:

> Unfortunately the regional strategy didn't live up to its name as a regional strategy, it served solely as an area lobbying document. It concentrated on negatives. It suffered greatly from a lack of cohesion which is necessary: although there was regional cooperation through a number of groups, there were difficulties because there was competition between the partners. You can see that in the document, where each of the appendices has a distinct county style. None was prepared to allow one style. YHRA are not a powerful force.

The contrast with the North West is interesting. There the Regional Association of the local authorities had much greater political support and was matched by equally strong private sector interests.[5] As Burch and Holliday (1994) argue:

> The NWRA which they [local elites from public and private sectors] formed in January 1992 is possibly the most significant attempt to overcome perceived deficiencies in the UK's distribution of power. This coming together of the major North West interests is particularly remarkable in that the region has for many years been held to be one of the most divided in England (Burch and Holliday 1994, p.29).[6]

The Chair and Chief Executive of the NWRA were taken from a local authority and the North West Business Leadership Team (NWBLT) respectively.[7] Both had large administrations under them and both provided substantial financial contributions for the strategy to be researched and written by one of the largest regional economic development consultants in the United Kingdom (Pieda). Although its strategy document draws similar conclusions to the Yorkshire and Humberside document, it is more coherently written and its findings endorsed by a strong partnership.

The preparation of the Yorkshire and Humberside document highlights many of the issues which were later to be carried forward into the SPD negotiations. In early meetings of the YHRA Secretariat it was agreed that the preparation of a document would be divided into four sub-regions, including North Yorkshire, with each preparing a sub-regional analysis. The rationale for the sub-regional focus is outlined by a local authority officer from Humberside:

> We did meet regularly with them but the reason we wanted it split down was because of the differences . . . we identify areas of common interest but we didn't want to get lost in that, we wanted . . to identify in Humberside what was required, and not just try and reduce it to the lowest common

> denominator . . . because we would have lost certain things which we thought were important on that basis.

And from West Yorkshire, 'at least within the county areas that got people working together . . . in the time that it was done in I think it was a reasonable document.'

Although the document served one purpose, that of demonstrating to DG XVI that a regional strategy existed, the way in which it had been put together meant that many organisational structures remained weak, and more critically, fragmented. As a former director of the YHP commented:

> Fundamentally, to make it happen, we need a cohesive force . . the partnership [YHP] isn't that. In this region there is no powerful cohesive force . . . all the local authorities are by their very nature local . . . the private sector is not focused in this region [i.e. on regional issues] . . . and therefore who is going to drive it . . . who is going to be the champion?

The interviewee also highlighted how the Yorkshire and Humberside Development Association[8] had been less proactive than its north of England rivals (INWARD in the North West and Northern Development Company, NDC, in the North East). In both regions, but particularly the North East there has been substantially more inward investment since the mid-1980s. Although there are many factors surrounding this, many outside the NDC's control - such as more support from Regional Selective Assistance (RSA) - the effect had been to establish the agency as an important driving force in regional economic development. Against this background, the Yorkshire and Humberside Partnership was to take forward the Strategy as the basis for the Objective 2 Single Programming Document.

5.2.2 Preparation: 2. The Strategy as a Single Programming Document

GOYH first submitted a draft SPD to the DoE (Department of the Environment), London, in April 1994. This was subsequently submitted, along with the other SPDs from the United Kingdom to the European Commission in May 1994. The Yorkshire and Humberside document was comprehensively rejected by the Commission the following September.[9] However this was not unique. No SPDs were accepted by the Commission after initial submission. This was for two reasons:

i. SPDs had not previously been used as tools of regional economic development; and

ii. the European Commission wanted to negotiate into the documents many of its own policy positions on economic development.[10]

However, its response to the Yorkshire and Humberside SPD was one of the most critical.

The main criticisms which the Commission made were twofold. Firstly, that the SPD did not contain sufficient sub-regional analysis neither of the impacts of the previous European funding in the regions nor of the projected impacts of the 1994-96 funding round. In response GOYH commissioned the Regional Research Observatory (ReRO) to conduct the necessary studies for the SPD. Secondly, the first draft of the SPD had not sufficiently integrated each of the Measures in its funding proposal. The analysis of how far the SPD changed over the course of 1994 is left to a later chapter. This section concentrates on how the regional strategy was converted into an Objective 2 SPD.

As the submission of the SPD just predates the creation of the integrated regional offices, the drafting of the Yorkshire and Humberside SPD had been coordinated by the European Funds section of the DoE for the Northern Region. However, this was in conjunction with the equivalent section in the DTI. It was agreed by the partners in the region that the drafting of the SPD would start by taking the YHRA strategy document and then convert this into an SPD. To achieve this the European Funds section in the DoE set up a working group consisting of between 12 and 15 people and which was served by the European Funds secretariat, also based in the DoE. The representation of the working group included: one local authority officer from each of the three sub-regions; a TEC representative; representatives from government departments; and a representative from one of the Passenger Transport Executives (PTEs). At a sub-regional level all drafting changes were discussed in sub-regional planning groups (typically consisting of senior European funds officers from the local authorities, TECs and Further and Higher Education institutions). On three or four occasions drafts of the document were circulated to the wider partnership. This activity took place between January and April 1994 following the announcement of the eligible areas map and the funding allocation. There was considerable pressure to produce the document quickly.

It was feared by the local authorities (interviews) that the move away from the two stage process of CSFs and OPs would reduce their ability to influence the make-up and scope of Priorities and Measures in the SPDs. Moreover, following the establishment of the regional government offices, they feared that central government departments would dictate to their regional offices what they wanted to be included. However, asked what guidance had been given to the DoE office in Leeds, the civil servant who coordinated the drafting of the document replied:

> I think there was quite a bit of flexibility . . . I think that was reflected in the draft SPDs that actually went forward, which were for example structured in different ways [i.e. for all United Kingdom SPDs] . . . We did meet monthly with DoE and DTI in particular who sent us various guidance notes. We had a few meetings, and the Commission came along to one, which wasn't terribly helpful. . . But they weren't involved in the drafting although they did comment on the different drafts [DTI and DoE].[11]

Asked whether the local authority fears were justified, the same respondent replied:

> No, I think we were left pretty much to get on with it. If there was anything that they weren't happy about, they would have told us.

Although YHRA's strategy document provided the basis for Yorkshire and Humberside's draft SPD, and in particular set the context for the Priorities and Measures which were suggested, it was not set out in a framework which would be required by the European Commission. Under the Framework Regulation (EEC) 2081/93 prior appraisal is required for all Structural Funds initiatives. Within the United Kingdom the established approach has been through a ROAME statement, that is, Rationale, Objectives, Appraisal, Monitoring, and Evaluation. This formed the basis for the structure of the SPD. In brief, the rationale was that the Yorkshire and Humberside region had suffered above average industrial decline relative to the

European Union and despite previous domestic and European assistance still lagged behind the European Union average in terms of GDP per capita. Its objective was to reduce this disparity and meet the strategic objectives of the rationale, through the support of seven priorities (each of which contains a number of measures).

The SPD stressed, as in the 1988 reforms, that the priorities and their measures do not represent a hierarchy of measures but rather that funding proposals must fit into integrated programmed strategies. To achieve this, output targets are presented against each measure which allow appraisal to take place. To oversee the implementation of the strategy, a monitoring committee was set up, with its competencies and duties outlined explicitly in the SPD. Finally, the programme had to be implemented so as to allow independent evaluation to take place. The Pieda report (1994) on the EECSF had criticised the DoE for the poor maintenance of its records. The draft SPD taking the ROAME framework, used the YHRA strategy as the basis for the Rationale. The rest was either distilled from the strategy or inserted by the working group charged with drafting the strategy.

Part of the local authorities' criticism (interviews) of the draft SPD was the top-slicing of funds for the co-financing of different government department policies: for instance the DTI's SMART and SPUR schemes. Although these may be in line with the rationale of the SPD, they raised the question of additionality. Put simply, were the funds going to SMART and SPUR going to be additional to what would have been spent on them anyway, or would they substitute planned expenditure. For the local authorities the issue was more one of additionality than that money would be allocated to government schemes. Asked what impact the local authorities had on the draft SPD, one local authority who sat on the working group replied:

> Quite a lot of impact, a lot of the things we suggested were taken on board. What you've got to remember is that a lot of the SPD that was drawn up was based on the previous programmes and a lot of the mechanisms were already in place and I think the Government Office had a lot of sympathy with the way it was done.

Other local authority interviewees were less positive about their involvement, sensing that, although they participated in meetings, their position was not taken on board by the Government Office. Although the final document was drafted by a civil servant based in the Government Office, it included few changes to the one agreed by the working group.

The Structure of Yorkshire and Humberside's SPD

The guidance given by London based civil servants had not been extensive and the interviewees suggested the guidance given had focused on two aspects of the SPD. The first was the structure of the SPD and how the ROAME method was applied. The second was the selection of the government's own schemes for inclusion in the SPD. All draft United Kingdom Objective 2 SPDs had a similar structure. Although the Yorkshire and Humberside SPD had 11 chapters, these could loosely be divided into four sections:

i. Regional Economic Situation - this included the eligible areas, economic context, strengths and weaknesses, and the results of previous funding operations;[12]

ii. The Conversion Strategy - this included the regional strategy (based on four objectives), followed by seven priorities (and relevant measures) which were the basis for the projects which would be funded;

iii. The Financial Tables - financial allocations were made by year and by Priority. Estimates of the required matching funding was also presented, as were estimates of what proportion of matching funding would come from the private sector;[13]

iv. Implementation - including how the programme was to be monitored and evaluated, the administrative arrangements which were to be required, and how the programme was in respect of other Community policies (e.g. state aids and equal opportunities). Guidance was also set out for how supported projects would be publicised.[14]

The first section was largely based on the YHRA's strategy document. However, as outlined above, it was the interpretation of the strategy into a series of priorities and measures which was to prove most problematic:[15] for instance the broad strategic objectives which the programme set indicate that the partnership had not married the aims of the programme with the amount of funding available (Yorkshire and Humberside Objective 2 Programme, April 1994, p.19):

i. The development of a self-sustaining, strong economy with a modern technological base and thriving SME sector, able to compete nationally and internationally and to generate good quality jobs;

ii. The creation of a workforce with relevant skills, training, vocational qualifications and enterprise to take advantage of all new employment opportunities;

iii. The development of a transport system able to meet the needs of the region and integrated into European networks;

iv. The development and protection of an environment that provides a pleasant and stimulating background to people who live and work in the region, attractive to employers and inward investors.

Although each of these provided relevant, yet aspirational, goals, few indications were apparent in the document as to whether the targets were realistic and how best the document should be delivered. The first draft of the SPD produced by GOYH's European Funds secretariat replicated much of the Regional Strategy, although it was accepted at the time that substantial revisions would have to be made. In addition central government had not altered the first draft (except for the removal of 'provocative statements') when they submitted it to the European Commission at the end of April 1994.[16] The table below shows the funding allocation across each of the priorities.

Table 5.1 Yorkshire and Humberside Objective 2 regional Conversion Plan. Financial Plan by Priority, MECU (1994 Prices). April draft of the SPD.

Priority	Total Cost	Community Grants			National Expenditure*		
		Total (%)	ERDF	ESF	Public or Similar	Private	Total National
1. Productive Infrastructure	112.68	56.34 (18)	56.34	n/a	47.89	8.45	56.34
2. Transport	62.60	31.30 (10)	31.30	n/a	31.30	-	31.30
3. Business Support	125.20	62.60 (20)	62.60	n/a	62.60	-	62.60
4. Environmental Improvements	43.82	21.91 (7)	21.91	n/a	19.72	2.19	21.91
5. Tourism	62.60	31.30 (10)	31.30	n/a	28.17	3.13	31.30
6. R&D Technology	62.60	31.30 (10)	31.30	n/a	28.17	3.13	31.30
7. Human resources	173.89	78.25 (25)	n/a	78.25	95.64	-	95.64
Total	643.39	313.00	234.75	78.25	313.49	16.90	330.39

Source: Yorkshire and Humberside draft SPD (April 1994), p.60.[17]

Regional Challenge

Due to time constraints central government made few changes to the SPD prepared by the regional partnership in Yorkshire and Humberside. However, just after the submission of the SPD to the Commission, the DTI announced that it would instigate a 'Regional Challenge' following the apparent success of the City Challenge model which it conducted a year earlier using domestic expenditure. However, Regional Challenge was a competition for money from the ERDF.

> This is to encourage imaginative value for money proposals, involving significant private sector funding. Subject to the European Commission's agreement to the detailed Community Support Framework, which governs the Structural Funds money, the first competitions will be held as soon as practicable. Thereafter, involving total *prize money* of £150-200m across the eligible English and Welsh areas. Successor competitions will follow three years later. (emphasis added). HMSO CM 2563 (1994) "Competitiveness, Helping Business To Win".

According to the President of the Board of Trade in July 1994 the Regional Challenge would not involve any redistribution of money 'but would consist of topslicing within each programme, and money would be allocated within the region . . . in addition, Regional Challenge projects which were not selected could still receive funding from the standard European Regional Development Fund (ERDF) programmes.'[18]

Initial reactions to the Regional Challenge were that it would be unworkable as it both topsliced the ERDF budget and would blunt the effectiveness of the delivery of the Structural Funds. However the DTI made assurances that it was compatible with the framework regulations set out for Structural Funds delivery (Regulations (EEC) 4253/88 and (EEC) 2052/88). This was because it saw Regional Challenge as a method of project selection, rather than a programme, and therefore the European Commission did not need to approve projects as it has to with a region's Single Programming Document. However, Regional Challenge would need to be compatible with the priorities in the plan for a region. The DTI claimed that the Regional Challenge 'would add something very different from the main Structural Funds bids' in that the bids would encompass the following criteria (DTI 1995, Regional Challenge Guidance Notes):

i. Involve private sector participation;

ii. Represent regional flagship projects;

iii. Be projects of strategic interest to the region;

iv. Contribute to local competitiveness.

Against these criteria a short list of projects would be put to the Programme Monitoring Committee, which then put forward a recommendation to Ministers, who would take the final decision.[19] However, the Commission's position was that the final decision would in fact rest with them, as they had to ensure that the recommended projects were eligible for funding. Moreover, where projects are above a certain size, 15 MECU for revenue projects and 25 MECU for capital projects, then the European Commission must carry out a full economic appraisal to assess whether support should be given. As 'flagship' projects would in many cases be above these thresholds (when all eligible costs were considered), the Commission could make the final decision.

When Regional Challenge was implemented the Director of GOYH changed the selection criteria from projects of regional significance to projects of sub-regional significance. This was on the basis that Yorkshire and Humberside was a very large region and that Regional Challenge would be more appropriately implemented on sub-regional lines. Moreover, the Objective 2 eligible area was not contiguous, making Regional Challenge and indeed regional projects difficult to implement. In total Regional Challenge top-sliced 12 per cent from the ERDF funds allocated to the region.

Regional Challenge demonstrated the extent to which central government could influence the delivery of a policy area. It also showed the relative strengths of the actors involved in the partnerships which delivered the Structural Funds in the United Kingdom.[20] However, the effect of Regional Challenge had been dissipated as in the end it was only a means of project selection. Moreover, many local authority interviewees suggested that in terms of project implementation, it involved bringing forward packages of projects which would have been submitted for funding at a later date.

5.3 The Preparation of the Document Unique de Programmation in Lorraine

5.3.1 Le Contrat de Plan entre l'Etat et la Région

Regions in France do not possess legislative powers. Moreover the administrative competencies they have are in many cases shared with other layers of subnational government. A particular example is that of economic planning, where the regions are one of many authorities at a subnational level involved in what is a centrally driven process. Conzelmann argues that:

> on the one hand, regions take part in the formulation of the *plan national*. Their main partner in this respect is the national planning agency, DATAR. On the other hand, the bulk of the national plan is implemented at the regional level through so-called planning contracts (*contrat de plan*) (Conzelmann 1995, p. 151-52).

Although each *Conseil régional* may operate their own economic development policies, the framework and funding set by the contrat de plan ensure that this will be in line with the policies of the central state.[21]

The implementation of two policies, the contrat de plan and the DOCUP, through similar channels and targeted at similar objectives, mean that they have become closely intertwined. The preparation of the 1994-96 DOCUP followed closely behind the agreement of the 1994-98 contrat de plan for Lorraine. This was the third generation of the five year contrats de plan. Le Galès and John argue that the, 'decentralised contractual planning system is a major political and administrative innovation in which regions have a pivotal and leading role, particularly as they are the necessary signatory of these contracts' (Le Galès and John 1997, p. 54). However, the *contrat de plan* did not necessarily give each *Conseil régional* control, with the state, and its decentralised field services, retaining much control. Le Galès and John show that 'it is widely acknowledged that the two first rounds of negotiation between regions and the state (1984-1988 and 1989-1993) did little to strengthen the regions' (Le Galès and John 1997, p.54). Moreover, these authors suggest that regions followed the priorities set by DATAR so as to more easily obtain finance from the state.[22]

To some extent the 1994-98 contrats de plan broke with this tradition. The third generation of planning contracts were the first to be prepared within the regions themselves. As Conzelmann suggests, 'the regional *préfectures*, briefed by central government through the so-called *mandat du préfet*, negotiate with the regional council on the new *contrats de plan*' (Conzelmann 1995, p. 155). Conzelmann found that this measure, where the *préfet* and the *président régional* are co-signatories of the contrat de plan has been driven by the closer relationship which has emerged between the *préfecture* and the *Conseil régional*. However, the central government has remained a powerful actor because it still has to approve any financial commitments, and it also sets many of the planning priorities.

The following table indicates the breadth of the contrat de plan. It has far greater scope than the DOCUPs and, except for certain actions, is not targeted at eligible areas, as with the Structural Funds.[23] At FFr 7,7000 million, the amount of funds available to the region is greater than that provided under all the Structural Funds Lorraine receives. Examining actions which are similar to those funded under the Structural Funds, such as economic development or vocational training, shows that the region has a considerable source of support, delivered in a similar programming framework to the Structural Funds.

The second striking feature of the *Contrat de Plan* is the number of central government ministries which commit part of their resources to co-financing the support from the region. The largest contributions to the *Contrat de Plan* of Lorraine, and presumably of other regions, come from the ministries of: Equipment, Transport and Tourism; Higher Education and Research; Interior and Spatial Planning; Employment; and Industry. Of these, the *Ministère de l'Équipement, des Transports et du Toursime* gives by far the most support (37 per cent). Support from the *Ministère de l'Industrie* (12 per cent), and the *Ministère du Travail, de l'Emploi et de la Formation Professionnelle et Sevice des Droits des Femmes* (8 per cent) give noticeably less. The latter two areas are more typical of the support awarded from the Objective 2 programme Lorraine; although other regions' Objective 2 programmes allocated a high proportion of funds to transport infrastructure improvements (DATAR 1994).[24]

Table 5.2: Lorraine Contrat de Plan Budget Summary

Action	State (in M FFr)	Region (in M FFr)	Total (in M FFr)
Economic Development	494.535	331.8	808.335
Forestry and Agriculture	263	271	534
Professional & Vocational Training	330.455	447	777.455
Education (lycées)	100	100	200
Higher Education	604	393.3	1,000.3
Research	135	140	275
Infrastructure and transport	1,586.25	1,051	2,637.25
Tourism	12	12	24
Culture	119.5	98.15	217.65
Environment	82.05	102.864	184.914
Social Inclusion	30.25	-	30.25
Spatial Planning	515.4	49.4	1,005.8
Evaluation	2.57	2.57	5.14
TOTAL	4,275.00	3,425.00	7,700.00
Urban Policies	113.7	37.9	151.6

Source: DATAR (1994). *Contrat de Plan - Région Lorraine*, (Paris: DATAR).

The following table gives an example of the *propositions* supported under the economic development *action* of the *contrat de plan*. As can be seen, the *contrat de plan* had two main objectives, to assist in the development of a competitive economy, and to assist in the diversification of the structure of the Lorraine economy. Much of the support, particularly under *Proposition 2* is similar to the areas which were later proposed for support in the Objective 2 programme. The greater breadth and scale of the *contrat de plan* than the DOCUP, suggests that it is the *contrat de plan* and not the DOCUP which is driving economic development in Lorraine.

Table 5.3: Ministry for Industry: Lorraine Contrat de Plan 1994-1998 - Economy

Proposed Areas of Support	**State (in M Ffr)**	**Region (in M Ffr)**
1. Support to Stimulate Competitiveness		
1.1 Stimulation and support of 'soft' infrastructure	228	43.8
1.2 Direct Support	6	10
2. Consolidation and Diversification of the Economic Structure		
2.1 Support enterprises (capital investment)	270.535	160
2.2 Venture Capital and Finance for Enterprises	(11.2)	70
2.3 Property		25
2.4 Other Support		5
TOTAL	494.535	313.8

Source: DATAR (1994), *Contrat de Plan - Région Lorraine*, (Paris: DATAR), p. 74.

With the *Conseil régional* not contributing the majority of resources its ability to shape the document has been limited. Conzelmann (1995) has found that attempts to push forward a strategy against the priorities of the central state can meet with resistance. Indeed there was also a threat by Charles Pasqua, French Minister for the Interior in 1994, to withdraw money from individual regions which did not want to accept the political priorities of Paris. Interviews conducted in Lorraine suggest that the region had not challenged the priorities of Paris and was content to implement them. However regions such as Nord-Pas de Calais have not been so agreeable.

As Structural Funds programmes co-finance projects, rather than providing full funding, they will always need to find a suitable source of matching funding. The *contrat de plan* provides one source. Therefore the preparation of DOCUPs will always be determined to some extent by existing policies. Although it may influence the strategies of some sponsors, it is unlikely that it will be able to have a large impact on the shape the contrat de plan takes. The contrat de plan therefore forms the basis for the preparation of the DOCUP. An Assemblée Nationale report has suggested that another fault of the contrats de plan is that they shape the DOCUPs: this is because the financing of the DOCUPs is not conducted in isolation, but involves the state, regions, departments and communes (translated from Assemblée Nationale 1996, p. 67).[25]

Conzelmann suggests that the role of the centre, and in particular that of DATAR goes even further than this, with guidance being given both to the priorities for the DOCUP and the financial allocations which should be set under each priority. He suggests that in some cases this amounts to the 'blackmailing of the regions' (Conzelmann 1995, p. 155). An alternative, presented by the director of Lorraine's office in Brussels, was that the *contrat de plan* and its close connection to the DOCUP, meant that the additionality of Structural Funds programmes had become more transparent. This is because the state have to provide details of its contribution to the regions by type of activity.[26]

Interviews with DATAR and in Lorraine corroborate this portrayal of the impact of the *contrat de plan*. However, the tenor of many of Conzelmann's findings, that the centre imposed priorities through the contrat de plan process, was not borne out. The emphasis was on negotiation between DATAR, the *préfecture* and the different subnational authorities, although the state was the most powerful partner in this process. As a civil servant at DATAR commented, the 'exercise [preparing the DOCUP] was closely following the contrat de plan d'état-région . . . and this had already involved long negotiations . . . and we were responsible for seeing these negotiations completed.' The civil servant in SGAR, in the *préfecture*, suggests that the link between the two was closer, 'the contrat de plan concerns the period 1994-98. The Objective 2 corresponds to half of the programme . . . it goes from 1994-96. We tried to write the two programmes, contrat de plan and DOCUP in parallel, in the same way.' Other interviewees suggest that this was not problematic and that there had been consensus over the DOCUP which was presented to the Commission.[27]

5.3.2 Drafting the DOCUP

The preparation and agreement of the *contrat de plan* which was signed in May 1994 by Roger Benmebarek, the *préfet*, and Gérard Longuet, the president of the *Conseil* *régional*, just predates the negotiation of the DOCUP between September and December 1994. However its preparation was at the same time as the DOCUP, which was submitted to the European Commission on 28th April, 1994. The preparation of the DOCUP differs from the contrat de plan because while the third generation of *contrats de plan* require the participation of the *Conseil régional*, the Structural Funds regulations have no such obligation. Although their implementation is required to be in partnership, who is involved in the actual drafting of the DOCUP is at the discretion of the Member State, and in the case of France, rests with the *préfet*. However as DG XVI's desk officer for Lorraine suggested, 'he employs the people he wants to employ although there are some things he can't do without them, the regional and local authorities . . . because they will co-finance projects in the future.'

What most interviewees stressed, including this desk officer was that there was very little time for the region to make the proposal. After the funding allocation was announced (in January 1994), 'then they have three months which is very short for a proposal to be made, although of course some preparation has already been done.' The same interviewee also suggested that DG XVI had not given the region any guidance about their proposal, 'we just examine the proposal itself' through the process of ex ante evaluation. However, DG XVI did give some common guidance which it had provided to all Objective 2 regions. At this stage DG XVI saw that providing guidance on a region by region basis might be prejudicial.

The role of DATAR in the preparation of the DOCUP was very different to that of the Commission. As a civil servant in DATAR highlighted, 'we gave guidelines in an instruction which was issued by the Prime Minister. We were in charge of preparing the draft DOCUPs for the Prime Minister in conjunction with other [government departments]. In this guidance we gave procedure-type instructions plus priorities and what they should contain . . . for instance national priorities and other concerns which should not be excluded.' This was a similar role to that played for the contrat de plan, with DATAR ensuring that 'everything was in order across all ministries and the *préfet*.' However, DATAR did not give region by region instructions: 'we gave instructions which were for all of France and it is the responsibility of the *préfet* in relation to the political authorities to set something up . . . so long as it is in line with the contrat de plan.'[28]

Interviews with a civil servant at SGAR highlight the way in which the Lorraine DOCUP was prepared:

> we had a simple strategy . . . to draft this programme. One person did the writing and five or six people influenced the writing . . . each partner was represented by one person . . . for the *Conseil régional*, three *Conseils généraux*, DATAR and us.

The person writing the DOCUP was a *Chargé de Mission* in SGAR. Asked what the different positions of these partners were, the same respondent replied, 'there was no difference between the partners . . . we had six priorities in the Programme and all these are shared by the partners.' Most strikingly, asked what were the principal changes from the 1989-93 period, the same respondent replied 'from 1986 to today we have the same actions in the programme.' Asked whether DATAR had set particular guidance for this DOCUP, the civil servant replied:

> the role of DATAR in the management of these programmes is just aménagement du territoire because DATAR's remit is to coordinate all structural interventions across France [though] DATAR wants to have a core command . . . the DOCUP must have the same scope and bases across France.

As such, DATAR's guidance for all regions focused on three priorities, SME creation, investments in SMEs, and training programmes. 'After this we were free to draft what we wanted' (SGAR civil servant).

The interviewee from SGAR had recently replaced the author of the DOCUP and *contrat de plan*, Pierre-Emmanuel Reymund. Although he was content with the current programme, he foresaw that change would be required in the future. His response was that:

> My first impression was that it was too traditional. I have read the other DOCUPs since the 1986 programme and they have always contained the same vocabulary and the same actions. My first reflection was the next generation will be more attractive and innovative. Perhaps this reflects the consensus between the partners over this period.

Furthermore, asked what view the Commission have on any proposed changes, the same respondent replied, 'I hope the Commission over the next generation wants some original programmes and that they do not want to see the same programmes everytime, everywhere. That's my opinion and DG XVI is of the same opinion, do everything new.'

Interviews with officers at the *Conseil régional* followed a similar pattern. Asked whether they were satisfied with the drafting of the DOCUP, the officer who had represented the *Conseil régional* replied, 'there were many exchanges between the *Conseil régional* and others and a consensus was reached.' Problems which did arise were over technicalities, for instance the level over which grant rate maxima should be set in the programme. When asked about the influence of DATAR, the same officer from the *Conseil régional*, replied that 'this was less on the content of the DOCUP and more on its implementation . . . DATAR had the role to coordinate actions to obtain national coherency.' Furthermore, 'the DATAR looked after and coordinated the *préfets*, but the *préfets* were free to draft the DOCUP.'

As to whether the social partners had been involved, the *Conseil régional* officer suggested that they had been consulted by the SGAR, particularly through the *comité d'economique et social*. The issue of social partner involvement, something which under the 1993 revisions was left at the discretion of the Member State, was not given importance by any of those interviewed.[29] Indeed most partner organisations regarded that it was only a concern of the European Commission and of no one else. As the director of Lorraine's office in Brussels commented, 'I'm not at all sure as to whether they are a real power . . .but I think there are problems here and across all the French territory. The first reaction of French representatives here as we when they heard what the Commission meant was to say, its a gimmick.'

Although DG XVI's desk officer for Lorraine suggests that no guidance was given to the regions during the drafting process, this only appears to have been at a formal level. As the director of Lorraine's office in Brussels suggests, 'what we did here was to send details of what the Commission was preparing, and I have to say that we greatly assisted the *Conseil régional*.' This is borne out by interviews with the directors of other French regional offices in Brussels.[30] The Lorraine office director also went on to argue that, 'it was also a political negotiation and at the time the president of the *Conseil régional*, M. Longuet, was minister in the government. So we sent him information to influence the negotiation of the document in Paris.'

Interviews with the *Conseils généraux* support the view that there was a reasonably strong consensus between the partners. Asked whether the Moselle *département* had pushed for anything in particular to be included, the officer involved responded that:

> the actual programme is not very different from the previous one . . . for Moselle the Tourism priority was important, so we asked for and obtained the amount of funds on this particular Priority we thought was required. This was higher than had originally been proposed. However, we didn't change the strategy.

The draft DOCUP was submitted to DATAR at the end of March. In the limited time period available, DATAR suggest that they made few changes before sending it to the European Commission. A civil servant at DATAR confirmed that changes were made, 'to make them more precise . . . in Lorraine we had problems with the priority for Competition and Enterprise . . . because certain things were not clear . . . and so we asked them for more information.' However no changes were made to the actual structure of Priorities and Measures, which the DATAR civil servant confirmed, 'we didn't have a particular problem because Pierre-Emmanuel Reymund was very good . . . on the priorities and in completion of the contrat de plan we had no problems.' Reymund was in charge of SGAR and the drafting of the document. The same civil servant later gives further credit to Reymund and that he had been involved for a long time in the preparation of contrats de plan and Structural Funds programmes.

The role of DATAR at this stage of the process is interesting. As a civil servant highlighted:

> when we received the documents we sent them to all the administrations [ministries] with an interest . . . we [all the administrations] then discuss it with the *préfet* and he is supposed to make the amendments required . . . it is a heavy process but it works more or less . . . even if they don't completely make all the changes it is all right . . . so long as it doesn't put the budget at risk, its all right with our organisation and its in line with the Regulations, then we send it to the Commission.

Critically, and reflecting that DATAR is an organisation of no more than 100 people, 'the control we are able to exert once we get the revised version is not that strong . . . because of the time schedule.'

5.4 Conclusion

The research shows that in both regions there existed two distinct stages prior to the submission of the Single Programming Document to the European Commission: the preparation of an economic strategy for the region, and the conversion of this strategy into a programming document. Although these two stages were seen as being sequential for the purposes of the research, it is evident that over a longer time period, preparation of strategies will overlap with the negotiation of the Objective 2 programme.

5.4.1 Preparation of the Strategy in the United Kingdom/Contrat de plan in France

The two regions had very different starting points when they began to prepare an economic strategy for the 1994-96 programming period. Indeed, Yorkshire and Humberside only became a formalised regional policy space -using Conzelmann's definition- in 1994 with the creation of the integrated regional offices of government. Although various pan regional organisations had existed prior to this, for example YHRA, YHP, Yorkshire and Humberside TUC and the Yorkshire and Humberside Chambers of Commerce, most were loosely coupled issue networks bestowed with few financial resources. However, the preparation of an economic strategy changed this as it provided the first regional issue for local partners to articulate their views; moreover, many quickly appreciated that the preparation of the economic strategy required sub-regional and in some cases regional cooperation.

DG XVI can be seen to have played a leading role in this process: it co-financed the preparation of the document *A Strategy for Europe* and required that it contain certain themes and be prepared in partnership. However, as the subsequent negotiations were to highlight, DG XVI lacked the legal or financial powers to ensure that the strategy was of a certain standard, had adequately addressed certain themes, or reflected the views of all the partners. The strategy document had been prepared with the knowledge that it would be a forerunner to a Single Programming Document, and therefore represented a wish-list on the part of the potential beneficiaries of the funds. At this stage of the process many European funds partnerships were beginning to be established in the three sub-regions and some of these began to resemble policy communities. However region wide partnerships remained weak, and critically, vertical partnerships (for instance with DG XVI) focused on issues over funding, rather than on the content of the strategy or on wider European Union policy objectives which were beginning to emerge. Finally, Yorkshire and Humberside appeared to be lagging behind other northern English regions in the preparation of an economic strategy.

To a large extent many of these issues, over partnership and economic strategy, were of less relevance in Lorraine. This is for two reasons. Firstly, the region (*préfecture* and *Conseil régional*) had already committed considerable resources to preparing a regional economic strategy for the previous programme. Secondly, partnerships between different organisations, centrally, regionally and locally, had become increasingly formalised during the 1980s. The mechanism which had done this was the *contrat de plan* between the state and region. On an array of issues which regional government had some competence over, which were much broader than economic development, the *contrat de plan* established a clear financial framework as to what would and would not be funded. However this financial framework was driven by the policy objectives of the member state.

As in the United Kingdom, for the development of economic strategies, there appears to be a considerable degree of variation across France in the process by which the *contrats de plan* were prepared. However, DATAR provides a constant presence articulating the aims of the central state to the regions. Subsequent negotiations with the regions, in which the *préfecture* has a key bargaining role between DATAR and the regional authorities, begin with a common position. The findings from Lorraine suggest that consensual relations between the regional authority and the *préfet* ensured that outcomes were quickly reached. Elsewhere, for instance in Nord-Pas de Calais and Provence, other authors have discovered more significant degrees of variation. The policy community that has emerged in Lorraine and in other French regions is therefore far more institutionalised than in the United Kingdom. However, it also has far more political and financial resources to shape regional economic strategies.

5.4.2 DRAFTING THE SPD/DOCUP

Both regions were working to the same deadline of April 1994 for the preparation and submission of their SPDs. However, in Lorraine the preparation was conducted alongside work on the *contrat de plan.* This shaped the way in which the DOCUP was written. As outlined, few partners challenged the policy objectives of DATAR. Indeed the document submitted in April contained many similarities to the previous Operational Programmes which had been run in the region. Whilst greater focus had been given to the PED and to issues such as technology, the document contained few innovations. A similar outcome occurred in Yorkshire and Humberside, that is, despite the work on the regional strategy the previous year, most priorities and measures in the SPD were similar to activities which had been supported under the previous Operational Programmes. More critically, as the Commission's response was to set out, the Draft SPD's Priorities and Measures reflected little on the structure of the regional economy and how it could be made to change: as such its Priorities and Measures could have been fitted to any region.

The need to manage the drafting of SPDs in a limited period of time necessitated the inclusion of only a few partner organisations in drafting the documents. As such *core groups* (chaired by civil servants with representation from subnational authorities) emerged within wider policy networks to prepare the document. In both regions the actual person charged with writing the document was in the regional outpost of central government (GOYH or *Préfecture*). Perceptions of the wider partnership suggest that there was little incentive for the SPD to be innovative. More critical interpretations such that the more bland the strategy the easier it would be to implement at a later stage. However, the core groups in both regions appear to have been complicit in allowing this to happen, even though in the case of Lorraine this was from a more advanced starting point.

NOTES

[1]Most of the Structural Funds are allocated to specific economic development projects. However, there is also a proportion of a programme's allocation dedicated for the management and implementation of the programme called Technical Assistance. Under Article 5 (2e) of the Framework Regulation (2081/93), '[Financial assistance may include] support for technical assistance, including the measures to prepare, appraise, monitor and evaluate operations, and pilot and demonstration projects.'

[2]The extent to which 'lobbying' took place after the 1989 Regulations is limited to the articulation of certain issues (e.g. the United Kingdom-Commission over the additionality dispute) and information exchanges necessary for better programme implementation. This is certainly the case for the Objective 2 funds. Where it is argued that lobbying has been effective has been in the creation of new Community Initiatives to address the decline of specific industrial sectors which are located in tightly defined geographical areas.

Lancashire Enterprises argued in the House of Commons Trade and Industry Committee on Regional Policy that it was influential in setting up the KONVER Community Initiative. 'LE recognised that, to secure European Union resources for Central Lancashire, an area ineligible for Objective 2 funding, would require a new community initiative. LE created a European network, bringing together those regions which were highly dependent upon defence expenditure. Successful lobbying, mainly by German MEPs, led first to PERIFRA grants for Lancashire of some £750,000 to create Preston Technology Management Centre, a joint venture between LE, BAe and Preston Borough Council; and also funds to decontaminate a former Royal Ordnance factory. These initiatives led the European Union to propose KONVER to assist defence dependent regions. KONVER funds are currently being used to assist former defence sub-contractors to diversify and expand into new markets' (House of Commons Trade and Industry Committee 1995, *Regional Policy - Minutes of Evidence*, p. 40).

[3]Leeds City Council was the most significant absentee of local authorities not involved in YHRA. Humberside County Council had also withdrawn support in 1994 although still participated in its activities. However, all Yorkshire and Humberside local authorities are involved in the Yorkshire and Humberside Regional Assembly which was launched in Summer 1996.

[4]The YHP consists of the following groups: Yorkshire and Humberside Association of Chambers of Commerce; Confederation of British Industry (Y&H Office); Trades Union Congress (Y&H Office); Yorkshire and Humberside Development Association (since 1995 as an Agency) (YHDA); and Yorkshire and Humberside Regional Association of Local Authorities (YHRA). The YHP was staffed by a Director and served to promote the partners' rather than its own interests.

[5]Whereas YHRA was run ostensibly by local authority officers, the NWRA was directed by the leaders of the local authorities (see Burch and Holliday 1994 for details).

[6]Burch and Holliday make an explicit link to the role of the European Commission in this process. Graham Meadows (then Director of Objective 2 Structural Funds, DG XVI) speaking to the North West's economic and political elite in 1992 emphasised a highly significant change in the rules governing the distribution of the EC Structural Funds. 'Its key aspect is a partial shift from objective

measures of economic well-being to more subjective indications of political coherence at the regional level. The central point which Meadows made on the basis of this change was that unless the North West developed a measure of grass-roots coherence, it was highly likely to lose ground to other European regions. Real development of the NWRA dates from this time. The EC input was therefore a crucial trigger to the development of the NWRA, but it was not the sole factor in the development of regional cohesion' (Burch and Holliday 1994, p.36). Along with the local authorities and NWBLT, NWRA consists of leading figures from, the TUC, INWARD, regional TECs, the CBI, chambers of commerce, the Tourist Authority, and the Group of Eight (representing the construction industry).

[7]NWBLT consists of 25 of the major private sector employers in the North West.

[8]In 1995 this became the Yorkshire Humberside Development Agency.

[9]EIS p.56 (July 1993) highlights that the Commission has a six month 'option' in which to consider SPDs. This is to enable it to conduct an *ex ante* evaluation, consult with relevant services, and to agree a common negotiating position. This is principally between DG XVI and DG V.

[10] In 1994 the principal position on economic development had been set by the White Paper, *Growth, Competitiveness and Employment* (the Delors White Paper) (CEC 1993c).

[11]In this interview and in subsequent interviews with civil servants in London a copy of the Guidance Notes was requested. However, none of the interviewees was willing to provide this document.

[12]This section of the SPD draws on reports by Pieda (1994) and Sheffield Hallam Business School (1992), two groups commissioned to carry out ex post evaluations of the impact of European funding in the region.

[13]However no allocations were given by measure. Also private sector contributions were based largely on the European secretariat's rough estimates than on any survey based forecast.

[14] Under the Regulations, all Structural Fund projects should publicise that they have received support from either the ERDF and ESF. For instance all projects should be accompanied by a press release which details the contribution from the Structural Funds. In addition projects should be marked in some way that support has been received. For instance, a plaque should be attached to physical infrastructure projects indicating that they have been part-funded by the ERDF.

[15] Although the Commission's response to the SPD was critical of the economic analysis as well as the strategy (contained in the Priorities and Measures), the limited time it had available to change the document meant that it focused on the strategy which would underpin the programme.

[16]Andrew Bayer a representative of the DTI responding to remarks by the Local Authorities' Associations that central government would rewrite many of the regional SPDs claimed that this had not occurred due to the short time period between regional government submission to central government and central government submission to DG XVI. The comments were made at the School for Advanced Urban Studies' and LGIB's annual Regional Fund Seminar, held on May 5-6 May. Reprinted in EIS Issue 150 (June 1994) p. 56.

[17]In the agreed draft of the SPD the amounts in the 'Private' column had increased significantly, although in comparison to the draft SPDs for the North West and the North East the amounts for Yorkshire and Humberside are considerably smaller.

[18]EIS Issue 152 August 1994. The amount to be included in the Regional Challenge is to be £160m for regions in England and Wales or 12 per cent of the ERDF budget for the eligible areas. The Regional Challenge will run concurrently with the European Union funding period which runs up to the end of 1996. After this a second Regional Challenge will commence for the same amount. Unlike the City Challenge, 'regions will be allocated a fixed sum' presumably as a proportion of their European Union allocation under the Structural Funds. As in the City Challenge and the SRB the intention is encourage public-private partnerships and the use of private capital (*Financial Times*, 9th February 1995, 'Projects in poorer areas invited to bid for EU cash', p.10 and *The Guardian*, 9th February 1995, p.15). The Local Government Information Unit commented that this would create a "lottery effect" as 'a deprived area near a relatively wealthy one would find it easier to obtain private finance for projects than would an isolated poor area' (*Financial Times*, 9th February 1995).

[19]In response the representatives of the Associations of the local authorities made a number of agreed criticisms as to how the Regional Challenge Funds would affect areas eligible for Objective 1, 2 and 5b funds in England and Wales (Structural Fund delivery in Scotland and Northern Ireland was not covered by Regional Challenge). These were fourfold. First, Regional Challenge would cut across existing mechanisms for allocating resources and would go against the principle of local decision making (as central government departments, and not Programme Monitoring Committees, would make the final decision). There was a need to clarify how top-slicing arrangements would be applied to the financial tables in the SPDs and to ensure that the regional Monitoring Committees considered all projects, ranked them and then rejected those which did not fit with the SPD (and not government criteria). Second, the local authorities raised concerns over the emphasis on a 'significant private sector contribution' particularly as this would be difficult to achieve in the short time available for drafting bids (eight weeks in Objective 1 and 2 regions, slightly longer in the 5b areas). As this would be difficult, the priorities in the eligible area could be distorted. Third, the need for bidders to be sure that unsuccessful bids could still be submitted without prejudice for funding through the normal procedures and for unused resources to be reabsorbed into the mainstream programme. Finally, concerns were raised that a further scheme added to the bureaucracy and workloads for local authorities and their partners, particularly as there was no integration with other funding mechanisms such as the SRB and that an eight week deadline for working up bids was too short to produce coherent bids. That is they would suffer from 'bid fatigue'.

[20]The European Commission had taken a similar line to that of the local authority Associations and ensured that the Regional Challenge process adhered fully to the Regulations. Furthermore, as most Regional Challenge bids were large (over 15 MECU for revenue projects, 25 MECU for infrastructure) the European Commission had to conduct a full financial appraisal on the selected projects. Although Hesseltine had intended that the announcement of successful projects would be made by Ministers, the European Commission was able to minimise the intended impact.

[21]The importance of the contrat de plan is indicated by an Assemblée Nationale report which highlighted that: 'La contrat de plan a, en effet, pour mission de déterminer les objectifs à moyen terme du développement éconmique, social et culturel d'une région pour la période d'application du plan de la Nation (article 14 de la loi de 1982 portant réforme de la planification)' (Assemblée Nationale 1996, p. 67).

[22]That the third generation of the contrats de plan was an improvement, in terms of the participation of the regional partners is reflected in an Assemblée Nationale report: 'La troisième génération de contrats de plan, qui couvrent la période 1994-99 et ont été repris pour la préparation des DOCUP, ne sont plus uniquemont des catalogues d'actions à conduire, mais comportent une amorce de réflexion cohérente sur le développement régional' (Assemblée Nationale 1996, p. 67).

[23]Exceptions include the activities to be supported under the 'Ensignement Supérieur' and 'Infrastructures et transports' actions. Under the first, certain universities are targeted for specific forms of support, and under the second, certain sections of roads are targeted for improvement.

[24]In the agreed 1994-96 DOCUP for Lorraine, no ERDF resources were allocated to transport infrastructure. However, about half the French DOCUPs did allocate resources to basic infrastructure (transport) improvements (EPRC 1995).

[25]Un autre défaut des contrats de plan a été répercuté dans les DOCUP: l'absence d'individualisation des sources de financement (Etat, région, département, communes ...) (Assemblée Nationale 1996, p. 67).

[26]The director of Lorraine's office in Brussels argued that: 'In France if you compare it to other countries we have a good chance because previous to this exercise of European funds and the zoning, we are obliged to prepare what is called Contrat de Plan Etat-Région. It is a contract between the state and the region. More or less we are obliged to do the same figures and exercise. Previous to the exercise we were asked by the Commission. And it is a fact that even if, well the Commission knows this, when you negotiate on the Franco-French level, between the state and the region, on roads on everything, well you know that they are all a part of the contrat de plan and they will be part of the national counterpart for the European exercise. So you can't even if you say that legally its separate, its a fact that if you're thinking one thing for the state it will be the same for the Commission, but its

separate but its linked. Everybody knows it. For us it is good because we are not obliged to do it explicitly for the Commission but its in our mind and we can play. But the Commission knows the reality.'

[27]One problem which has been discussed elsewhere is that three year DOCUPs are difficult to coordinate with five year plans. As an Assemblée Nationale report found: 'Un autre handicap qui a été souligné par la Commission à propos de la France est le manque de coordination des DOCUP présentés avec les orientations de la loi quinquennale sur l'aménagement du territoire' (Assemblée Nationale 1996, p. 48).

[28]As an Assemblée Nationale stressed, 'La circulaire du Premier ministre en date du 17 février 1994, addressée aux préfets de régions, sur « la mise en œuvre de la politique communautaire au titre des objectifs 2 et 5b et la préparation des documents uniques de programmation » rappelle toutefois que « *l'efficacité des programmes de développement cofinancés pas ces fonds dépend de la qualité des stratégies et des actions qui seront définies par l'ensemble des paertenaires dans les territoires concernés* ». Le préfet de région, désigné comme autorité responsable du document unique de programmation et président du comité de suivi régional, est appelé à ne pas limiter le partenariat au seul échelon régional et à associer plus étroitement les conseils généraux à tous les stades de la procédure' (Assemblée Nationale 1996, pp. 46-47).

[29]During the research, it was not possible to contact a representative from the CES.

[30]For example an interview was conducted with the director of ERAI, the office of Rhône-Alpes in Brussels.

6

Negotiation of the Single Programming Documents

6.1 Introduction

The next stage of the process focuses on a negotiation between the European Commission, relevant member state authorities and regional partners which converts the draft Single Programming Documents into documents which can be agreed and signed by the Commissioner for Regional Policy as Commission Decisions. Although much of this negotiation is to ensure that the SPDs conform with European Union regulations, for instance on state aids, competition and additionality, it also allows the European Commission to incorporate policies which, although not incorporated in directives or regulations, have been agreed in European Councils.

After the submission of draft Single Programming Documents, DG XVI is entitled, under the Structural Funds regulations, to take up to six months to prepare and present its response to the member states and regions. During this period it must consult with the other directorates general concerned with the Structural Funds (for Employment and Social Affairs, and for Agriculture) but also more broadly with the directorates general for Financial Control, Budgets, Industry and Competition. At the same time DG XVI have an ex ante evaluation of the Single Programming Documents prepared. It is these two strands, the consultation and the ex ante evaluation, which inform the response DG XVI makes to the member states and regions.

The focus of this stage is to map and determine the nature of the *vertical* partnerships which exist between the European Commission, the relevant member state authorities and the regional partners. This chapter examines the policy networks between the actors in these different organisations. In so doing it examines whether the Commission or the member state executive can mobilise resources to achieve certain policy outcomes, and whether it attempts to alter the distribution of resources as to achieve future policy outcomes. The distribution of resources in policy networks will also be affected by the broader institutional and policy context of the two regions, and in particular the effect of established regional institutions.

6.2 YORKSHIRE AND HUMBERSIDE: A DYNAMIC EUROPEAN COMMISSION AGAINST A STATIC PARTNERSHIP

6.2.1 THE COMMISSION'S RESPONSE

The Commission's (CEC 1994e) response to the SPD was presented to the partners in September 1994.[1] It was based on an ex ante appraisal of the submitted SPD and incorporated many themes which the Commission had begun to stress since the Delors White Paper (CEC 1993c).[2] It began by summarising the plan and highlighting the main findings of the evaluations conducted by Pieda and Sheffield Hallam University of the previous CSF. It then presented an *appreciation of the plan.* This systematically criticised each of the programme's components. This included the level of analysis, the strategy, the regional context, the balance of actions and continuity, the integration of the funds with the ESF, private sector participation, complementarity with other actions in the region, measure level detail and quantification, targeting, the environment, and Regional Challenge. In each area the partnership had provided insufficient material and/or analysis for the draft plan to be agreed by the Commission. As the response stated:

> The plan is to a great extent a continuation of previous actions and structure with little that stands out as new or innovative. Recommendations from evaluations do not appear to have been addressed . . . [although] in terms of financial allocations the plan has less emphasis on transport and infrastructure

> than previous operational programmes, and more emphasis on business development, human resources and Research and Development related activity (CEC 1994e, p.9).

The response also suggests that the plan would benefit from a sharper focus on a number of questions relevant to the region (see appendix 4).

The response then presents the 'Commission Proposal' as to what should be included in the SPD. It began by making an explicit reference to the Delors White Paper of December 1993 and its stress on certain themes, including *inter alia*: the dynamism of SMEs and as generators of new jobs; the need to invest in the knowledge-base of industries; sustainable development; the need to develop advanced telematics; the link between investing in people, combating social exclusion and economic competitiveness; and the need to invest in the demand side as well as the supply side of the labour market. As the response stated:

> The Commission's proposal attempts to incorporate some of this thinking by taking the plan presented and restructuring it to achieve a stronger emphasis on enhancing regional competitiveness through greater synergy and integration of the funds combined with sharper geographical targeting (CEC 1994e, p.14).

This reinforced the criticisms made in the evaluations of the 1989-93 EECSF. The response therefore included certain themes, firstly the move from 'hard' to 'soft' infrastructure development, the stronger emphasis on clusters of projects which demonstrated synergies rather than large one-off flagship projects, and the need to put in place structures which allow strategic choices to be made so as resources are concentrated and used more selectively.

Prominent in DG XVI's view of how the SPD should be drafted was the need to focus on a single strategic objective which would provide a clear rationale for all priorities, measures and actions which followed. It therefore suggested a reformulation of Yorkshire and Humberside's original four strategic objectives, replacing it with:

> The development of a strong and environmentally sustainable economy with a modern technological base and thriving SME sector able to compete nationally and internationally and to generate good quality jobs for a

workforce equipped with relevant skills, training and enterprise (CEC 1994e, p.14).[3]

The response also recognised the weakness of functioning regional level structures capable of coordinating and implementing a large programme. Whilst maintaining that programming would occur at a region wide level, the Commission proposed 'to have distinct sub-programmes with indicative financial allocations within the single programme' (CEC 1994e, p.14) and as such that the plan should operate at three levels within the region: 'the objective two level; the sub programme level...; and the local level.'

Most of the remainder of the response was concerned with the Priorities and Measures necessary to structure the delivery of the programme. The changes made to the Priorities and Measures reflected the themes developed above and the concerns raised in the Pieda and SHU reports. Whereas in the draft SPD, the ESF Measures had been in a Priority of their own, in the Commission's response requested that the ESF be spread across the six proposed priorities. Another important change was the introduction of a Priority entitled: 'Targeted support: action in the coal fields and action in areas of urban deprivation.' That is within a programme which already focused resources by objective criteria (i.e. on those areas suffering industrial decline), resources would be further concentrated on the most deprived communities within these areas. This recognised that regional policy actions in the past did not necessarily address those groups who were economically and socially excluded. The six priorities proposed were (CEC 1994e, p. 15; the full list, including suggested Measures, is given in appendix 5):

Priority 1	Action to support SMEs
Priority 2	Action to strengthen and diversify companies in traditional sectors
Priority 3	Action to strengthen the knowledge based industries and for advanced technology development

Priority 4	Action to attract new industry and services
Priority 5	Action to develop the tourism and cultural industries
Priority 6	Targeted support: action in the coal fields and action in areas of urban deprivation

The remainder of the response was concerned with the 'administrative arrangements' for the programme to proceed. It stressed 'there is a need to strengthen Partnerships in the region at a number of levels: regional, sub-regional and local. The Objective 2 plan offers an opportunity to do this by involving people directly in making decisions about the region's development' (CEC 1994e, p.20). It recognised the importance of the relationship between the sub-regions, the Monitoring Committee and the Secretariat; including the need to ensure that the Monitoring Committee reflected fairly the interests and diversity of the wider partnership. It was also suggested that the partnership form an independent secretariat with all the partners providing assistance (along with Technical Assistance funds from the Structural Funds).[4] Finally the response outlined the standard SPD structure for Objective 2 regions (see appendix 6). Financial details, such as the allocation of funds across the priorities was left to the negotiations.

In an interview with the DG XVI desk officer who drafted this response the following perspective was given.[5] He saw Yorkshire and Humberside's first draft as a reconversion plan and not a single programming document. He stressed that GOYH had consulted the partners in a poor way, and throughout, too junior staff had been used. The Commission's argument was that the SPD should work along the following plan:

i. strengthen the economic analysis;

ii. give the region a model of economic development as to focus it on where it is and where it should be going;

iii. improve the ways in which partners' views are incorporated.

Yorkshire and Humberside's SPD data had failed to discriminate between different types and sizes of SMEs. Therefore its data included micro firms rather than SMEs as targeted in the Delors White Paper. Also the Measures were topic or project based and frequently based around transport. The Commission's response was that they must come from the strategy and be backed up with analysis, rather than reflecting the projects the partners wanted to complete. He emphasised that the Commission did not intend to fund hard infrastructure (i.e. roads) unless it could be justified in relation to a cluster of other projects which resulted in a new development opening up.

DG XVI's view was that the region should have a clear model of economic development. This was underpinned by DG XVI's position that all regional economies have a number of key 'economic drivers'. These drivers were seen by DG XVI as the foundation for giving region's competitive advantage. Under the Structural Funds programmes they took four forms: SME support and development; research and technological development; strategic site development; and community economic development (to combat social exclusion). The balance of support across these should depend on which were most likely to give the region a competitive advantage and achieve the underlying policy objectives of the European Commission. Understanding this position throws considerable light upon the negotiation position of DG XVI. However, this position was of course influenced by the priorities of the European Commission as a whole.

Although the Delors White Paper provided DG XVI with overall policy guidance, the thrust of its response had come from the ex ante evaluation of the draft SPD. The ex ante evaluations for the north of England SPDs had been conducted by academics from across the north of England and led by Professor Peter Lloyd at the University of Liverpool. The result was that the ex ante evaluations were prepared by academics with years of experience of researching the regions concerned and who also had an understanding of contemporary thinking on regional economic policy.

This information resource was combined with a determination on the part of DG XVI to improve those regional economic strategies which were poorest. The Yorkshire and Humberside draft SPD was one of these. It was also one of the larger Objective 2 programmes in the United Kingdom. Getting the strategy right in this region was seen as a priority by the European Commission, partly due to the region's size but also because its partnerships and strategies in the past had been poor. A final point is the choice of desk officer to conduct the negotiations with Yorkshire and Humberside. He was not a Commission *fonctionnaire* but a national expert who had extensive experience of working and researching the region. This confluence of resources, the use of an ex ante evaluation, the size of the Yorkshire and Humberside programme, and the choice of personnel for the negotiation team, demonstrated DG XVI's ability to operate dynamically to achieve its objectives.

6.2.2 THE NEGOTIATION: SEPTEMBER-DECEMBER 1994

The redrafting of the original submission was driven by the draft response by the Commission. Between September and December 1994 GOYH redrafted and submitted the SPD four more times. The redrafts marked substantial changes in the direction the region's use of European Funding would take. These changes can be seen in the agreed table (below). The most significant changes were as follows. First ESF funding was distributed across the Priorities rather than remaining in Priority Seven. Second, proposed hard infrastructure projects were reduced from being significant elements of the first two Priorities to being elements in just two measures. This reflected tensions not only between GOYH and the local authorities but also between local authorities in the sub-regions.[6] These stemmed from differences in the perceived needs local authorities see for the three Objective 2 sub-regions.

Table 6.1: Financial allocations for 1994-96 in MECU (total allocation for Yorkshire and Humberside Objective 2 areas is 313 MECU)

	MEASURES and PRIORITIES	Fund ESF	(MECU) ERDF
	1. Action to Support SMEs		
1	Yorkshire and Humberside venture capital funds		7
2	Advice Services for SMEs		20
3	Business Premises for Small Companies		19
4	Training for Business Needs	16	
	Total	16	46
	2. Action to Strengthen and diversify mature SMEs		
5	Help with Development and Growth		15
6	Spin-outs, Partnerships and Supply Chains		7
7	Clean and Lean Technologies		7
8	Training for new ways of working	14	
	Total	14	29
	3. Action for knowledge based industries and technological development		
9	Support for Innovation, Product and Process Development		13
10	Increasing Technology Transfer Activity in the Region and Strengthening Business/Academia Links		12
11	High Technology Training for Employees and Technology Management Training for Managers, Training in Information Communications Technology	11	
12	Support for Advanced Telematics: Help for SMEs to increase utilisation of advanced networks and information services		6
	Total	11	31
	4. Action to attract new industry and services		
13	Sites and Premises for Industry		25
14	Gateways for Industry		16
15	Human Resources for New Employers	9.5	
	Total	9.5	41
	5. Action to support tourist and cultural industries		
16	Increasing the utilisation of Tourism Facilities and Upgrading Facilities		20
17	Selected Town Centre Environmental Improvements		11.7
18	Support for Cultural Industries		11
19	Training for Quality in Tourism and Cultural Industries	11	
	Total	11	42.7
	6. Targeted action for key deprived areas		
20	Support for Training and Employment Activities	16	
21	Support for Community Based Economic Projects		17
22	Targeted Environmental Improvements		10
23	Access to Work Through Improved Public Transport		15
	Total	16	42.2
	Total allocation (incl. Technical Assistance at 2.5 MECU)	79	234

Source: GOYH (1995), Objective 2 SPD for Yorkshire and Humberside (Leeds: GOYH)

Third, in the place of hard infrastructure funding, the importance of funding for SMEs was emphasised, both for stimulating SME start-ups and supporting the development of existing medium sized SMEs. This objective is reflected throughout the Priorities, but especially the first two. Through this reorientation GOYH could support existing government enterprise schemes and make better use of matching funding. Fourth, a former Priority for environmental improvements was integrated into measures in two new Priorities, 5 and 6.

Fifth, the measures for tourism and cultural industries were restructured so as to target particular regional weaknesses in these areas. For instance in increasing the provision of ESF money for training and through encouraging the better utilisation of existing tourism facilities. Sixth, the Priority for knowledge based industries was retained but with a new emphasis on the use of telematics by SMEs. Seventh, a priority for 'Targeted action for key deprived areas' was added; although this was introduced at the Commission's request, most local authorities supported it.

Although DG XVI pushed through many changes to the SPD, support for 'key deprived areas' was one of the most innovative.[7] That is, it was a completely new Priority to Structural Funds programmes and was negotiated into all United Kingdom Objective 2 SPDs for 1994-96. During the 1994-96 programmes it was to become widely known as the priority for Community Economic Development (CED). It had been introduced prior to the Objective 2 programme negotiations in Merseyside's Objective 1 SPD: a document acclaimed by the Partners and Commission as representing the new direction for the Structural Funds.[8] Following the negotiation of the Objective 2 SPDs, DG XVI launched a study to investigate how CED, based on a process of giving local groups a stake in the implementation of the programme in their community, could be developed.[9]

Problems were recognised in the role of central government in the process of drafting the SPD. At a meeting between the Regional Affairs Commissioner (Bruce Millan), and representatives of, the local authority Associations, the Local Government International Bureau and the Government departments of Trade and Industry (DTI), Environment (DoE) and Employment (ED) in May (1994), the government departments stressed their 'gatekeeper role'. On the SPD negotiation process the DoE insisted that national guidance was needed because of the Member State's role vis-à-vis the Commission and there could not be bilateral relations between the European Commission and the regions. Indeed, 'it was not for the Commission to comment on selection criteria as these were national issues' (EIS June 1994, p. 51). On sub-regional arrangements, the DoE noted that there were already 30 separate committees for programmes and that it was not 'sensible to introduce more complex arrangements through sub-regional programmes - this would be too rigid and lead to problems of virement' (EIS June 1994, p. 51).[10]

That the Commission wanted the document redrafted came as no surprise to the regional partners. As one GOYH civil servant put it:

> I think that we were generally aware that the Commission would want to negotiate quite intensely on what went into the SPDs, so we were well prepared for that process to go on but we didn't really have any forewarning of the direction that they were looking at.

However, the freedom with which the partners had to negotiate with the Commission at this stage is debatable. In September 1994 the motive of most partners was to get the SPD approved as quickly as possible. As the same civil servant stated:

> I think we were put in quite a difficult position because the timetable was pressing upon us and the partners were desperate to get something agreed. So I think the consensus amongst the partners was that they were prepared to be guided by the Commission's structure, although they did query a number of the new elements that the Commission brought in . . . like having a specific measure for Telematics or a specific measure for Cultural Industries . . . but by and large the thing was we had to get on with the process.

The issues (most already raised) which were to be most problematic during the negotiation were as follows:

i. the lack of analysis;

ii. the strategy itself (for instance the region's links with other European regions);[11]

iii. integration of the funds and the ESF;

iv. private sector participation;

v. complementarity with other actions in the region;

vi. measure level detail and quantification;

vii. targeting of support to strategic objectives;

viii. the environment;

ix. Regional Challenge.[12]

On most of these concerns the Commission took a strong line, although the outcome of the negotiations reveals that while many of the issues which needed to be drafted into the SPD were victories for the Commission (for instance, the strategy, integration of funds, the analysis, measure level detail and quantification), on others, where agreement in the SPD was not required for Commission approval, issues were to spill over into the implementation phase.

Represented in the negotiations were the Commission (DG V and DG XVI), DTI and DoE, the Director of GOYH (as well as the head of the European Funds secretariat), the local authorities, TECs, FE and HE, and some private sector interests. Typically, organisations were represented at senior officer level with supporting officers in attendance.

Areas of contention included both the amount of Structural Funds which was dedicated to government schemes (such as the DTI's SMART and SPUR) and private sector finance/contributions. With regards the earmarking of funds for government schemes, local authorities, both nationally through their Associations and regionally, expressed concerns that this figure was too large. Across the United Kingdom there were significant variations, with the Yorkshire and Humberside case being particularly acute. As the DoE and DTI explained at a meeting with the LGIB (7 December 1994):

> The Government had looked at a general percentage of about 5 per cent suggested by the European Commission, but had decided the co-financing of

> Government schemes should reflect what was actually being delivered in the regions. This accounted for the variation. (EIS December 1994, p.39).

The Commission's draft response had not specified the allocations to each measure. However, it was apparent from the beginning of the negotiations that it had calculated indicative figures as to what proportion of funds should go to each measure. This included approximately 40 per cent to Business Support type activities (Local authority interviews). Over these allocations the Commission and United Kingdom government were often more closely aligned, although these allocations were opposed by most local authorities.

Following the acceptance of Yorkshire and Humberside's SPD for the funding period 1994-96 in December 1994 bids commenced against the different measures.[13] Pre-application bids were prepared for both ESF and ERDF projects. While ESF bids were only to be assessed annually, the ERDF was to operate a rolling procedure.

6.2.3 Conclusion

The importance of the strategy underpinning the 1994-96 SPD cannot be underestimated. The impetus for this change came from the European Commission. However, it was a change which had been strongly influenced by the negotiation of the 1994-99 Objective 1 Merseyside programme earlier that year. The rationale for the direction the Commission was to take came to a large extent from the ex ante evaluations of the programmes which had been undertaken by a team of academics across the north of England, but which were led by Peter Lloyd at the University of Liverpool. Lloyd had also been responsible for ex ante evaluation of the Merseyside programme and was in part was responsible for the direction it took. In a synthesis of the agreed SPDs for all European Union Objective 2 programmes, conducted for DG XVI, it was found that:

> There is a strong degree of continuity between the former (1989-93) and current (1994-96) strategies. Two thirds of the SPDs have a strong connection between the two programming periods; only in one of the UK regions is that partial continuity (Yorkshire and Humberside) (EPRC *et al.* 1995, p. 15).

It would appear therefore that the European Commission was able to negotiate successfully for a particular strategy to underpin the Objective 2 programme in the 1994-96 period. The context which allowed them to do this was, firstly that the document which was submitted was very weak, and secondly that the regional partnership was divided, both by organisation and by sub-region, over what the strategy should be.

6.3 Lorraine: the Influence of the Prefecture and DATAR

6.3.1 Preparation and Negotiation

In September 1994, DG XVI responded to Lorraine's draft Objective 2 DOCUP. Following submission on 28th April, an ex ante evaluation had been conducted of the DOCUP for DG XVI, it had consulted the other services of the Commission, in particular DG V, and it had prepared a summary response for negotiation. Although no date was set for when the DOCUPs would be signed by the Commissioner, most partners wanted to agree a final version as quickly as possible so that expenditure on projects could commence. Although the ex ante evaluation of the DOCUPs gave the Commission an opportunity to prepare responses tailored to the economic conditions in each programme area, it also had a number of over riding policy considerations to incorporate. Ensuring that European Union policies were reflected in the document was the common departure point for all desk officers in the negotiation. They were also the area in which the Commission could act with some legitimacy as they were not only priorities for the whole Commission, they had also been agreed in the Council of Ministers. Although the Delors report of December 1993 contained few references to European regional policy, the emphasis on an industry and competition policy which would secure growth, competitiveness and employment for the whole of the European Union underpinned the line which was taken.

Asked whether DG XVI negotiated extensive changes to the DOCUP, the desk officer for Lorraine in DG XVI argued that 'it was not a big redraft, although we changed it alot.' The principal change the Commission wanted was to increase support for a particular area and policy, the *Pôle Européen de Développement* (PED) at Longwy. The PED had been launched in 1985 by the French government, in conjunction with the Belgian and Luxembourg governments, to address the enormous decline of the steel and coal mining areas around Longwy. Since 1986 the PED had received support from the ERDF and between 1989 and 1993 it was supported by its own Operational Programme. In the draft DOCUP there had not been a specific Priority for the PED, although it would have received substantial support from the programme, under different priorities. However, by negotiating for a specific Priority for Longwy, DG XVI aimed to provide dedicated support for a particular area and to more effectively manage and prepare for the future reduction in the level of support it received. The Priority contained two Measures, *Poursuivre l'Industrialisation du Pôle Européen de Longwy* (2.1) and *Poursuivre l'Aménagement Economique et Urbain du Pôle Européen de Longwy* (2.2).

Interviews with DATAR suggest that the negotiations had a slightly different emphasis. As a civil servant at DATAR commented, 'when the Commission responds, there are certain principal problems.' As to the process DATAR goes through, 'first we see that they treat all regions equally, which is not always the case because the people [in the Commission] that write the commentaries on the DOCUPs and make the analyses are different . . . we tried to get to a point where things are equal.' This suggests that the regional specificity DG XVI applied to programmes in the United Kingdom was countered by DATAR when the same specificity was applied to the French programmes. As regards the demarcation of tasks, the same civil servant commented that, 'all that relates to the priorities is for the *préfecture* with respect to the authorities, and for national issues across DOCUPs is for DATAR.' This emphasises both the role of DATAR but also that the responsibility of negotiation is with the *préfecture* rather than with the regional partnership.

The DATAR civil servant was next questioned over the tenet of DG XVI's response.[14] She replied that 'the Commission's response did contain many radical elements. This however was not the case in Lorraine.' The main reason for this was suggested to be because 'Pierre-Emmanuel Reymund . . . was used to the preparation and he had made good contacts [in the region, with Paris and with Brussels] . . . so when he prepared it he was sure that things were not going to be washed out.' The experience of the negotiator for the *préfecture* was also cited by DG XVI as a reason why DG XVI's response was not 'radical'. The experience of the negotiator was suggested to be underpinned in three areas: stable *préfecture*-region relations; stable *préfet*-Paris relations; and stable *préfet*-Brussels relations. Other more critical sources (unattributed) suggest that the Lorraine DOCUP was not very sophisticated and followed a similar vein to previous Operational Programmes. An example given was that whilst other regions' programmes had emphasised research and technological development in one or more Priorities, this area had been absent from the Lorraine DOCUP.

A *chargé de mission* at the *préfecture* (SGAR) gave more detail as to the course of the negotiation: 'the *préfet* went to Brussels at two points during 1994. The first, in September just after the first writing exercise of the DOCUP . . . with the local and regional authorities . . . to present the programme . . . to discuss with DG XVI.' The same civil servant highlighted the reaction of the Commission:

> globally your programme is good but we have two problems with Lorraine. First is with the PED in Longwy . . . which we have supported previously under an Operational Programme . . . and the other problem is with the zoning of industrial areas, the building of new industrial areas in Lorraine.

On the PED, after inclusion as a Priority in the DOCUP 'was the allocation of resources to this Priority'. The *préfet* and the *Conseil général* pressed for FFr 150 million for the three years while DG XVI wanted only FFr 100 million. It is notable that the other *Conseil généraux* (Moselle and Vosges) did not become involved in the allocation as the PED is in the north of the Meurthe-et-Moselle *département* (interviews). This passive position probably strengthened DG XVI's position in lowering the allocation to the PED Priority.

The second problem, the zoning of industrial areas, reflects the impact of wider European Union policies on the actions of DG XVI. The regional partners, through their development agencies (CAPEs) had developed many small industrial sites under the previous programmes. Such sites were suited for the development of SMEs. The partners now wanted to concentrate on a few, more strategic sites, which would be directly targeted at attracting inward investment. As an interviewee at the *préfecture* commented, 'the debate was to explain to the Commission that these areas need to be adapted for international competition . . . and attractive for international investment.' This is a problematic area for European regional policy, as support for a *de facto* inward investment policy is in contravention of the European Commission's goals to secure a level playing field for the Single European Market. Despite these problems the partners 'explained this to Brussels and they followed our arguments'. This issue is important. Although the rationale of the Structural Funds is to enhance the indigenous economic potential of the region, this can be melded to reflect the concerns of particular regions, when they articulate a position which has consensus behind it; so long as it can be justified with respect to other European Union policies.

Table 6.2: Lorraine Financial Plan by Priority and Measure (1994-96)

	PRIORITY AND MEASURE	ESF (MECU)	ERDF (MECU)
1	**Creation of a Favourable Economic Environment**	0.98	23.86
1.1	Support for the Creation of New Enterprises		2.91
1.2	Support and Ongoing Support for New Entrepreneurs	0.98	
1.3	Developing and Managing the Capacity of Support for Enterprises		20.85
2	**Continuation of the Development of the PED at Longwy**	0	15.30
2.1	Continuation of the industrialisation of the pôle européen de développement at Longwy		10.71
2.2	Accompanying economic development of the PED		4.69
3	**Increasing the independence and diversity of enterprises**	20.01	20.80
3.1	Providing Capital Investments		10.25
3.2	Reinforcing the collective operations and indirect support for enterprises		10.55
3.3	Promotion of Adaptation through Clusters of Enterprises	20.01	
4	**Improving Start-ups and the Quality of Enterprises**	2.08	6.12
4.1	Responding to the needs of clusters of enterprises	2.08	
4.2	Reinforcing the mechanisms for company formation		6.12
5	**Continuing Urban and Environmental Regeneration**		23.70
5.1	Cleaning Contaminated Industrial Sites		11.47
5.2	New Urban Attractiveness		23.23
6	**Realising the Potential of Tourism**	0.57	12.69
6.1	Developing capital and revenue investments for the Tourist sector		12.69
6.2	Developing new support agencies for the Tourist sector	0.57	
7	**Technical Assistance**	0.83	0.76
7.1	Technical Assistance		0.76
7.2	Technical Assistance	0.83	
Total		102.93	24.47

Source: European Commission (1995). *Lorraine DOCUP 1994-96 Objectif 2*. (Brussels: European Commission)

This discussion highlights that there were different positions between the three *départements* eligible for Objective 2 support in Lorraine, in particular over the PED Priority. In such circumstances it might be anticipated that they might attempt to ring fence an allocation of the funds for their own projects. However, this possibility was dispelled by the *préfecture* which stressed that they 'work on the logic of projects: if you have a good project then we finance the project.' Although this enquiry was not pursued with the other partners, two conclusions may be drawn. Firstly, the *préfecture* has sufficient control of the process to prevent subregional interests being advanced over the good of the region. Secondly, the *départements* were sufficiently confident in bringing forward good projects. Furthermore, they had well established development agencies (CAPEs) and these were not dependent on the Structural Funds. This rationale was confirmed in interviews with the CAPEs and the Moselle and Meurthe-et-Moselle *Conseils généraux*.

Although Lorraine's DOCUP required less redrafting than others, for instance that of the SPD in Yorkshire and Humberside, it was not formally agreed until 9th December, 1994. This was at the same time as all the French DOCUPs were signed by the Commissioner, and one week before most of the United Kingdom Objective 2 SPDs were signed.

6.3.2 CONCLUSION

The strong consensus in Lorraine which allowed the DOCUP to be approved with few substantive changes differs from the experience of other French regions. Work by Smyrl in Bretagne and Provence shows that very different outcomes can arise. Smyrl's study which examined whether the ERDF 'empowered' regions in France and Italy. Firstly he found in Brittany that:

> Comparison of the region's preliminary planning documents with final texts gives strong corroboration to assertions by both state and regional officials that planning priorities set by regional political leaders and organised interests, were actively supported by the *préfecture* even though the *préfet* retained full *de jure* authority over spending decisions (Smyrl 1997, p. 295).

Furthermore, the *préfecture* which was active in the planning process mobilised the services of the state to advance the interests of the region. With the ability of French regions to develop links with external agencies, the *préfecture* 'became the active allies of the region and its spokesmen vis-à-vis the outside world' (Smyrl 1997, p. 295). Finally, this role extended from being a gatekeeper for access to the state to becoming the '"bridge" linking the region to Brussels' (Smyrl 1997, p.295). The consensus which emerged in Bretagne appears to have given regional politicians power which is in excess of their legal authority.

Smyrl finds contrasting evidence in Provence where the region was found to be one local actor among many which negotiated individually with the *préfecture*. This resulted in a more piecemeal strategy to the Structural Funds, so that even if the region did have a strategy, it was little more than a list of desired projects from each of the partners, whose sole aim was to maximise the revenue they received from the Structural Funds. As Smyrl concludes, 'setting priorities was not part of the plan; control was explicitly exchanged for financial volume . . . the net result was that, by the region's own extremely optimistic estimate, the cost of projects proposed was roughly twice the sum actually expected' (Smyrl 1997, pp. 295-6).

Conzelmann's work suggests a third position. In the case of Nord-Pas de Calais he found that while the elected officials were cohesive the *préfecture* and DATAR often obstructed their participation in the Structural Funds process by withholding information or by exercising close control of the external relations which they developed, including contacts with DG XVI (Doutriaux 1992, pp. 51-2). As Conzelmann concluded 'the situation was described as being unsatisfactory at the regional council, because through informal channels it usually knows what is happening in Brussels, but has no possibility of getting into official contact with DG 16' (Conzelmann 1995, p. 156).

The interviews in Lorraine focused on whether DG XVI or DATAR had negotiated for a particular economic strategy to underpin the DOCUP. All interviewees stressed that the DOCUP was to a large extent a continuation of previous operational programmes and that except for two areas, the PED and the industrial zones, that DG XVI had focused on the technicalities of the DOCUP and the arrangements it set for its implementation. This was confirmed in interviews with DATAR and DG XVI. However, the interview at DATAR outlined why this had been the case. Asked whether DG XVI had pushed for a particular strategy (in all French Objective 2 DOCUPs), the interviewee responded:

> Not really . . . It is impressive for the Commission to give its priorities instead of what the region has proposed . . . [although] . . . it is impossible within our legal system to oblige such a change. They can say something but we [DATAR] gave them a clear line on what should be done and said that there

> should only be a smoothing out at the most . . . we had already given them [the regional *préfectures*] a framework.

That the Commission may have wanted to push for a stronger a line, and been unsuccessful, is implied by the interviewee's next response:

> The Commission could see that, for example they can say more should be allocated to research, but in fact there was no change to the priorities. It is more a remoulding of certain aspects and we already thought that on certain aspects the Commission was very strong.

Although DATAR recognised that there was a partnership, the balance of competencies was not symmetrical. The interviewee's next response stressed the powers the regulations gave the different partners:

> Article 4 of the Regulations proposes that it is the Commission which sets up the priorities. They accompany national priorities, and as such, they do not have the legal base to enforce them.

Article 4 of the regulations concerns 'complementarity, partnership and technical assistance'. The first paragraph of this regulation sets the broad framework for the operation of partnership, 'they [Community operations] shall be established though close consultations between the Commission, the Member State concerned and the competent authorities and bodies . . .' However, it is the second paragraph of Article 4 which allows DATAR to assert that the central state is the main partner in these arrangements:

> The partnership will be conducted in full compliance with the respective institutional, legal and financial powers of each of the partners.[15]

In centralised states, such as France or the United Kingdom, the state can therefore determine the involvement of subnational authorities, not merely through playing the gatekeeper in all negotiations in the short term, but more importantly, through controlling the institutional, legal and financial powers of each of the partners over the long term. The difference between France and the United Kingdom, is that France with a system of regional policy with well established structures can more effectively determine and control how the Structural Funds will be implemented. The United Kingdom, on the other hand, is unable to assert control because its system of regional policy (to the extent that there is one) is fragmented with the respective competencies of different partners blurred.

6.4 Conclusion: Comparison and Existence of Vertical Policy Networks

The case studies divided the negotiation of the SPD/DOCUP between the regional partners, central state departments, and the European Commission, into two phases. The first involved the preparation of the response by DG XVI to the draft SPD/DOCUP submitted in April 1994, and the second involved the actual negotiation of the programme between the different partners between September and October 1994. Although the preparation and evolution of economic strategies appears to be an evolutionary process, a process in which Lorraine was clearly ahead of Yorkshire and Humberside, the negotiation of the programme for both regions appears to be the most critical phase for understanding the relationship between the partners and the resources each has at its disposal.

Using a policy networks analysis highlights the importance of the negotiation, vis-à-vis the other stages in establishing regional economic strategies. Moreover, policy networks analysis reveals which partners hold the most important resources in the negotiation and how they mobilise these resources to influence policy outcomes. Therefore there are two related issues in understanding the negotiation: firstly, why should one policy actor choose to mobilise resources; and secondly, how it is able to mobilise resources to influence policy outcomes.

The case studies demonstrated that the pattern of resource distribution was different for each region. In the Yorkshire and Humberside negotiation it was apparent that the Commission had a near monopoly of resources for negotiating the SPD, and was able to determine, to a large extent, the content of the SPD. Although DG XVI prepared an extensive response to the draft SPD from the region, its position focused on three issues: firstly, the need to strengthen the economic analysis of the region; secondly, the need to give the region a model of economic development so as to focus it on where it should be going; and thirdly, to improve the way in which partners' views were incorporated. The subsequent negotiation bore out these conclusions. As such the negotiation revealed not only the relationship across different tiers of governance, but also the mediation of this with horizontal partnerships in the region.

In France, it was apparent that DATAR, and not DG XVI, held the most powerful resources during the negotiation. However, in many respects regional economic programming was already better established in France than in the United Kingdom. Therefore many of the issues which were important to DG XVI, such as partnership arrangements and economic analysis, already existed in the French regional planning system. Although DG XVI had concerns over certain broad areas, such as upholding Competition and State Aids policy, it had fewer concerns with the detail of the Lorraine programme. It therefore appears that DG XVI chose not to mobilise resources, as it did in Yorkshire and Humberside, because there was clearly less that it could achieve. Although subnational partners negotiated over small issues (such as the designation of support for industrial sites), the broad framework was set by DG XVI. In addition, much of the Lorraine DOCUP involved updating previous Structural Funds programmes. There was very little which broke with what had been done before.

The evidence from the two case studies is important in evaluating the applicability of policy networks analysis. As agreed SPD/DOCUPs must be signed by the European Commissioner responsible for regional policy, DG XVI, in theory, is given considerable power to determine the eventual contents of the document and what Structural Funds should be spent on in any region. However, the Yorkshire and Humberside case study revealed that to activate its legal powers (which stem from the Structural Funds regulations), DG XVI had to have a credible negotiating position. It therefore needed to mobilise other resources. In practice the Yorkshire and Humberside case shows that these were largely in the form of informational resources. These were drawn from two areas: firstly its knowledge of negotiating and implementing Structural Funds programmes across the European Union; and secondly, its use of an ex ante appraisal to develop an alternative programme to the one drafted by the region. Other resources were of less significance. DG XVI held limited organisational capacity, had limited finances, and was politically weak vis-à-vis the departments of the member states. However, the existence of the wide ranging Structural Funds regulations meant that political resources would also be of less significance in the programming phases of the Structural Funds. Furthermore, as the programme got underway the Commission clarified many issues concerning the eligibility of the Structural Funds to support different types of activity (for instance, in the involvement of the private sector).

Although the regulations set the overarching framework for the implementation of the Structural Funds, and established the rules of the game in terms of the distribution of resources, the operation of policy networks also needs to be understood within the wider context of European Union policy making. In particular, the model of economic development proposed for Yorkshire and Humberside by the European Commission drew heavily from the proposals made in the Delors White Paper on Growth, Competitiveness and Employment. Without this reference point, DG XVI would not have been given a policy aim to achieve, other than to ensure that the Structural Funds adhered to the Regulatory framework.

The policy networks at work within the negotiation of individual Structural Funds programmes therefore need to be understood within the wider framework of European Union policy making and in particular the relationship between the different European Union institutions and the Member States. The policy networks in the implementation of the Structural Funds often cross cut those which surround the implementation of domestic policy. Although, many of the policy networks may be one and the same, they are often driven by the requirements for the implementation of domestic policy, in which the European Commission is a spectator. However, because the Structural Funds are a significant source of regeneration expenditure in Yorkshire and Humberside, the policy networks took on more significance than those required for domestic policy. They therefore became to resemble policy communities and not loosely coupled issue networks. The differences between the United Kingdom and France therefore stem from two factors: firstly, the more dispersed distribution of regeneration competencies in the United Kingdom; and secondly the greater importance of the Structural Funds to regions such as Yorkshire and Humberside than to Lorraine vis-à-vis other sources of funding.

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[1]The document was entitled *Single Programming Document Yorkshire and Humberside: Draft summary response for discussion* (29 September) (CEC 1994e), hereafter, *Draft summary response for discussion*. The document was presented to a meeting of the wider partnership in Sheffield at the beginning of October 1994. A copy was obtained from a local authority representative.

[2]The ex ante appraisal of six United Kingdom SPDs was undertaken by a team of researchers led by Professor Peter Lloyd at the University of Liverpool. In his submission to the Trade and Industry Committee on Regional Policy, he states: 'It was a feature of our critique of all the Objective 2 plans offered to DG XVI that, without significant exception, they "rolled-forward" previous plan frameworks and were lacking in innovation and imagination. In essence, all the plans appear to have been framed round a desire to draw down, spend and account for European Structural Funds assistance for particular projects. This was reflective of past practice with Objective Two funding. The new opportunities for more integrated and coherent planning through the medium of the Single Programming Documents (SPDs) was not widely grasped. In our view the nature of the "partnership" as defined by the United Kingdom authorities denied opportunities for innovative action and a degree of institutional capacity-building which the Structural Funds Regulations made possible at the plan preparation stage' (House of Commons 1995, p.166).

[3]In the agreed SPD (December 1994), the following inserts were made: 'The development of a self-sustaining, [...] and the creation of a pleasant environment in which to live and work' (GOYH 1995, p.47).

[4]The previous programmes had been implemented with a secretariat based in the DoE and DTI with secondees from the partners.

[5]The desk officer had moved from DG XII (Technology) and brought insights into how technology and innovation strategies should be managed in regions. He also had detailed knowledge from working in Yorkshire and Humberside. Although certain themes were common in the responses to all the United Kingdom Objective 2 regions, the response to the Yorkshire and Humberside draft probably went further than most - in part reflecting the problems experienced in previous programmes. This is highlighted in the EPRC *et al.* (1995), *Synthesis of Agreed Single Programming Documents in Objective 2 Areas* (Strathclyde: EPRC for DG XVI).

[6]South Yorkshire narrowly missed obtaining Objective 1 status following the 1993 redrawing of the eligible areas map. Representatives of its four local authorities therefore argued that it still required hard infrastructure provision. This was not the case made by West Yorkshire or Humberside. From an interview with Sheffield City Council officer.

[7]Other parts of the Commission have conducted or funded extensive research into models of development for Business Support or Research and Technological Development activity. Most notable in the field of RTD was the research conducted for the FAST programme. This and other work had underpinned the Commission's negotiation position of the Business Support and RTD Priorities. However, support for Community Economic Development was a new departure for Objective 2 programmes.

[8]The original Merseyside programme had been poor. However, the Commission, using a similar strategy to the one later used in Yorkshire and Humberside was to push through a number of

innovations in programming. The result was viewed by many in DG XVI as a flagship for Objective 1 programmes.

[9]This study was published in October 1996 as 'Social and Economic Inclusion through Regional Development: the Community Economic Development Priority in the Great Britain Programmes' (European Commission 1996b). CED was an important departure for Objective 2 programmes. Although it can be justified within the scope of the Essen Council Conclusions (December 1994) it is arguable that the Commission's action went much further. As such the report underpinned and provided the strategic rationale for CED to take place in the United Kingdom programmes. In the 1994-96 programmes it was only introduced to the United Kingdom programmes, indicating the possible autonomy of the geographical Units within DG XVI.

[10]Reprinted in EIS Issue 150, June 1994 pp.50-51.

[11]For example situating the economic trends of the region in a broader European Union perspective so as to draw out what was happening elsewhere.

[12]List taken from DG XVI 'Draft Summary Response for Discussion' (CEC 1994e)

[13]All eleven United Kingdom Objective 2 SPDs were approved in late 1994. The approval of the Objective 5b SPDs was delayed until January to allow for substantial amendments. The situation in the other member states was similar (EIS, Issue 155 December 1994, p.39).

[14]Both DG XVI's desk officer for Lorraine and the civil servant at DATAR were asked for a copy of the Commission's response to the DOCUP. Both replied that this was not a public document. The same response was given in the region. The Commission's response was one of the main pieces of primary documentation used in the corresponding section in the chapter on Yorkshire and Humberside. Without this document, the author compensated by focusing many of his interview questions on the content of this response.

[15]However, DATAR's perspective of the strengths of territorial organisation have been criticised in an Assemblée Nationale report (1996), particularly in the area of the negotiation of the DOCUPs: 'Ils m'ont fait observer que l'une des faiblisses de la France est le manque de clarté dans la répartition des compétences entre les différents niveaux d'intervention (Etat, région, département, commune), ce qui nuit à l'efficacité de son action régionale. En revanche, ils ont constaté que cette répartition des rôles s'éclarait dès lors qu'au niveau d'une région, la problématique du développement est bien maîtrisée' (Assemblée Nationale 1996, pp. 48-49). The same section of the report also highlights the Commission's view of French territorial administration: 'il semble qu'en France les compétences ne soient pas suffisament réparties par niveau hiérachique, au sens de la subsidiarité, et trop par bloc thematique, ciest-à-dire par administration' (Assemblée Nationale 1996, p. 48).

7

IMPLEMENTATION OF THE SINGLE PROGRAMMING DOCUMENTS

7.1. INTRODUCTION

The preparation of the Single Programming Document illuminated many aspects of the *horizontal* policy networks in the two regions. The negotiation of this document demonstrated the balance of resources in the *vertical* policy networks from the region, through the member state to the European Commission. The implementation of the documents brings both sets of policy networks together. How they combine, and which policy actors achieve certain policy goals reflects not just the location of the resources within one network (*vertical* or *horizontal*) but whether resources for one policy network can mobilised in the other.

The research focused on the arrangements which were set up to administer the implementation of the Single Programming Documents. In the first six months of 1995, when the primary research took place, the first meetings of the partnerships to implement the SPDs occurred. Although these partnerships would continue to meet for the whole programming period (until the end of 1996), most of the formal arrangements necessary for implementation would be agreed in the first six months of 1995. Although this limits the scope of the research, the focus on the formal arrangements provided sufficient material with which to examine how the policy networks in the two regions established arrangements to implement the SPDs.

7.2 YORKSHIRE AND HUMBERSIDE: WHAT A CARVE UP?

The next issue which faced organisations in the region was how the Structural Funds were to be administered. Guidelines for this are set out in the SPD as 'Administration and Conditions of Implementation'.[1] While in the previous funding period CSF delivery was under the control of the eastern region of the DTI, with the creation of the regional Government Offices the implementation of the SPD was conducted by GOYH. With an increased number of partners since the previous round of Structural Funds, for instance with the creation of TECs and new measures to give universities a role in economic development, the delivery of European Funds became more complex. The implementation of the SPD was required by the regulations to be through a Programme Monitoring Committee (PMC).[2] The composition of this committee was therefore likely to shape the implementation of the programme.[3]

Two issues dominated the early life of the Yorkshire and Humberside programme. Each is central to how programming and partnership operate in the region. The issues were, the composition of the Programme Monitoring Committee and the selection and scoring of projects. These were not mutually exclusive and other issues, such as Regional Challenge, government regeneration schemes and the involvement of the private sector, have cut across them. The following sections discuss each in turn.

7.2.1 THE COMPOSITION OF THE PROGRAMME MONITORING COMMITTEE

The composition of the PMC had already become an area of conflict between the partners prior to the agreement of the programme. Also with the newly formed Government Offices having authority over a range of policies, issues over the implementation of economic development policies in each region became more contentious. As with the Additionality dispute of the early 1990s, local authorities quickly realised that their allies would be the Commission.

Nationally, central government had left the composition of the committees to the discretion of the Government Office directors. As a memorandum submitted by the DTI to the Trade and Industry Committee on Regional Policy (1995) stated:

> There are no specific criteria laid down for the selection of committee members. The chairman consults locally, bearing in mind the need to select members who adequately represent the various interests, commensurate with the efficient operation of the committees. The composition of individual committees varies in details, but generally includes, in addition to representatives from Central Government and the Commission, the following: TECs and Scottish LECs, local authorities, urban development corporations, training providers, and businessmen in a private capacity (House of Commons, Memoranda of Evidence, 1995 p.180).

Across all European Union member states, the Commission had taken a position that partnership also included the social and economic partners. This did not materialise in the United Kingdom, at least in any coherent and institutionalised form (CLES 1994). For the funding period prior to 1993 the Economic and Social Committee (ECOSOC) of the European Union conducted a survey of the social partners across the European Union and found:

> (I)n some of the countries the involvement of the social partners is significant and systematic. This is the case in Denmark, Germany and to some extent in Italy (it should be noted that although in Germany there are no special bodies, the social partners nevertheless enjoy a high degree of institutional recognition). In other countries involvement is less pronounced, and at the far end of the spectrum some countries such as the UK which have openly discouraged the involvement of the socio-economic organisations (and, in particular have limited the involvement of the trade unions). The country with the greatest formal participation is Ireland, which has included a social partner on the national monitoring committee . . . In the United Kingdom, the type of partnership established by central government has focused on a network of relations involving the EC, the national and public local authorities and local economic operators. There is thus no real 'social partnership' (OJ C 127/21 1994).[4]

This is something Bruce Millan asserted at the Trade and Industry Committee on Regional Policy:

> We tried to make the people on the Monitoring Committees as representative as possible of local interests but there is a limit to that so far as I am concerned. I tried to persuade people but I cannot compel governments because I have no power under the Regulations to necessarily make the

> Monitoring Committees as wide ranging as I would like (House of Commons, Memoranda of Evidence, 1995, p.71).[5]

Furthermore, Peter Lloyd in a memorandum to the same Committee explained many of the grievances that the local and regional partners felt they had, specifically in the case of the English regions:

> Given the framework of the partnership for the UK regions . . . the same groups of local stakeholders (primarily Government Office and local public and ex-public agencies) now emerge as the guardians of the implementation process. Government Offices in every case in the English regions reserved to themselves the role of the Secretariat to manage the on-going operations of the programme. This had the effect of reinforcing a strong bias toward central government control at every stage. While this may be regarded as essential for the purposes of parliamentary accountability, it would be our view that opportunities for a strong degree of regional ownership and institutional building are foregone. In particular the failure to engage the private sector more directly seems to deny the entire process an important element of skill and knowledge (House of Commons, 1995, Memoranda of Evidence, p.166).

GOYH's 'Administrative Arrangements' set out that 'the SPD will be administered by a Monitoring Committee, a senior group of officials chaired by the Senior Regional Director of the Government Office for Yorkshire and Humberside.' The composition of the Monitoring Committees was a contentious issue between the Commission, Government Offices and the local authorities with concern being expressed over the differing approaches taken and regional inconsistencies in relation to local authority representation on Monitoring Committees. The view of the local authority Associations was that local authorities should be left to choose their own representatives, whether elected members or not (EIS, Issue 155 December 1994, p.39). This did not occur in Yorkshire and Humberside with representatives being chosen by the Regional Director of GOYH. The local authorities representatives were the Chief Executives of Huddersfield, Barnsley and Scunthorpe local authorities.[6] However, in the first instance the director had asked for one local authority representative from each of the three sub-regions. When this was not forthcoming (due to no consensus being reached between the West Yorkshire local authorities eligible for Structural Funds) the director chose to select the Committee at the beginning of 1995. The composition of the PMC is shown in the following table.

Table 7.1 The composition of the Yorkshire and Humberside PMC

Sector	Organisation	Total
Central Govt Dept. & GOYH	Chair (Director, GOYH), DTI, DoE, ED, GOYH European Secretariat head (plus other secretariat members)	4
EC	European Commission (DG V and DG XVI)	2
LA	Barnsley MBC, Scunthorpe Borough Council, Wakefield MDC	3
TEC	Rotherham TEC, Humberside TEC, Calderdale and Kirklees TEC	3
FE/HE	Further Education Funding Council, Bradford University,	2
Misc	Yorkshire and Humberside Partnership, Sheffield City Liaison Group, Yorkshire and Humberside Tourist Board Development Committee, South Yorkshire Passenger Transport Executive, VONEF, English Partnerships	6
Private	Northern Business Centre, 3i	2
Total		23

Source: GOYH Records

Although the Commission had pushed during the SPD negotiation for greater representation from local authorities, this had not been forthcoming. As Jeremy Walker (Director, GOYH) stated in a letter to Peter Crampton (MEP) on 29th September 1994: 'We have in fact consulted widely in the region and have striven to strike a balance which will achieve good coverage by both area and sector whilst not getting so large as to be unwieldy.'

Local authorities articulated their grievances directly to DG XVI and were able to secure a meeting with the Commissioner for Regional Policy, Monika Wulf-Mathies. At this meeting the local authorities had four complaints over their treatment:[7]

1. Level of Representation. Although there is no firm rule regarding the size of representation or total size of the PMC, Yorkshire and Humberside with only three local authority representatives has the lowest level of representation of all the United Kingdom programmes. At its extreme the

representative from Barnsley is supposed to represent the 1.3 million people in the South Yorkshire eligible areas. [8]

2. Elected Members. Although the Commission pressed for elected members during the negotiations, this only occurred in two Objective 2 programmes (for Greater Manchester, Lancashire and Cheshire and for the North East), the choice was left at the discretion of the regional director.

3. Method of selecting representatives. In other regions the chair of the regional office has written to organisations in the area asking them to nominate a representative. In Yorkshire and Humberside the selection was made by the regional director, raising issues over the accountability and independence of the representatives.

4. Are members of the PMC there in their capacity as representatives of organisations or there in a personal capacity?[9]

As the implementation of the Programme began, the local authorities actively pushed these issues through a number of channels. Although most effort was directed at GOYH, the local authorities also used indirect channels to gain the support of the Commission and to raise the issue with central government. Most active in this respect were the region's MEPs and the Yorkshire and Humberside European Office in Brussels.[10] At the time these issues were raised, it was too early to assess whether they would impinge on the operation of the programme. However, it was predicted both by DG XVI and the local authorities that as representation was so low, project selection would suffer because the PMC members would not be able to take a strategic view. Moreover, where a decision was required which involved selecting single projects from many submitted across the region, decision making would be impinged by insufficient representation.[11] Politically, DG XVI realised that it would lack allies in PMC meetings and its ability to out flank government departments would be curtailed.[12]

However, the composition of the PMC was not going to change despite continued protests into its first few meetings (up until Spring 1995). In response to concerted action by the region's MEPs in Brussels, either to DG XVI or to the Commissioner for Regional Policy, Monika Wulf-Mathies, the Commission was to concede that it only had limited powers to intervene. In a letter to the region's MEPs, Wulf-Mathies wrote:

> As you know, I attach great importance to participation of regional and local representatives in the implementation of the European Structural Policy . . . As a member of the Commission, I nevertheless have to accept that Partnership is implemented on the basis of different national traditions. I will use my contacts to the British Government to raise the case which you mentioned and to see whether we could find possibilities for additional local participation (3 March, 1995).

This 'mini-dispute' effectively fixed the arrangements under which the programme would be implemented. Although the Commission and other local authorities would press for changes to the workings of the PMC, its composition would not change. This outcome also set the subsidiary arrangements concerning the relationship between the PMC, the Secretariat and the Area Advisory Groups. However, as these groups were involved far more in the day-to-day issues, compromises and working agreements were to be found.

7.2.2 Project Selection and Scoring

Programme Monitoring Committees meet not more than four times a year. In the standard clauses of the SPD (common to all Objective 2 programmes) it is stated that the Monitoring Committee at its first meeting lays down 'the procedures and arrangements for selecting individual projects and actions, including the selection method and operational selection criteria' (Yorkshire and Humberside SPD 1994, p.135). As part of this process the Monitoring Committee must agree to the delegation of powers for programme implementation; that is how each Monitoring Committee organises itself to examine and approve projects selected under SPDs. In this case the Structural Funds' standard clauses state that:

> the Monitoring Committee shall establish its own rules of procedure, including any appropriate organisational arrangements . . . [and] . . . in its rules of procedure, the Monitoring Committee will set out the operational

> procedures for selecting projects or measures (Yorkshire and Humberside SPD 1994, p. 135).

In Yorkshire and Humberside the scoring and selection of projects was delegated by the PMC to two sets of bodies, the Programme (or European Funds) Secretariat and three Area Advisory Groups. The AAGs role was set out in the following extract:[13]

> The Committee will be advised by three Area Advisory Groups which will be responsible for making recommendations on the approval of ERDF and ESF projects, other than major projects (i.e. those requiring grant of over 5 MECU) or those of regional significance. The groups will cover the three main sub-regions of Humberside, West Yorkshire and South Yorkshire . . . The AAGs will meet every six to eight weeks to ensure a regular flow of project selection decisions (Minutes of the first PMC).

The secretariat's role was set in a later extract:

> The Monitoring Committee and AAGs shall be assisted by a permanent European Funding Secretariat responsible for the preparation of documentation relating to monitoring, reports, agendas and summary records of meetings and decisions on projects. The Government Office for Yorkshire and Humberside shall provide the Secretariat which will report to the Chairman of the Monitoring Committee. The Secretariat will be augmented by secondees from the partnership (Minutes of the first PMC).

The main tasks of the Secretariat included:

> To appraise projects put forward for funding and make recommendations to the Monitoring Committee and Area Advisory Groups on projects to be approved for funding, in accordance with the priorities of the programme and project selection criteria agreed by the Monitoring Committee and to ensure that the grant is the minimum necessary to enable the project to proceed (Minutes of the first PMC).

The work of the three sub groups was to appraise and rank projects in order of priority in accordance with the guidelines laid out by the SPD Monitoring Committee and with reference to the funds available.[14] The European Funds secretariat (formed within GOYH) undertook the administrative duties for the delivery of the Structural Funds and carried out appraisals of project applications. The relationship and the division of duties between the sub-committee and the secretariat therefore has a major bearing on the delivery of the Structural Funds.[15]

The work of the Monitoring Committee required wide ranging support from the sub-committees and from the secretariat. The Local Government International Bureau and the Associations of local authorities convened a meeting at the end of November 1994 to highlight concerns with government departments over the drafting and implementation of the Single Programming Document. Worries were expressed concerning the duplication of effort in terms of the secretariat providing a role in working up individual bids. Local authorities were accustomed to acting as enablers and the secretariats should not jeopardise efficient processing and administration in relation to bids by taking on other functions fulfilled by partners. This had not been totally accepted by the Government but it was recognised that there was a clash of interests in the Secretariat on helping to formulate projects and in approving funding (EIS, Issue 155 December 1994, p. 38-41). The composition of the Area Advisory Groups for the Yorkshire and Humberside Programme is shown in the following tables.[16]

Table 7.2: The Composition of the South Yorkshire Area Advisory Group

Sector	Organisation	Total
Central Govt Dept.	GOYH Secretariat (1+), ED, DoE (Occasional Participation)	1
EC	Occasional Participation	-
LA	Sheffield CC, Rotherham MBC, Barnsley MBC, Doncaster MBC	3
TEC	Barnsley and Doncaster TEC, Sheffield TEC (2), Rotherham TEC	4
FE/HE	Sheffield Hallam University, University of Sheffield. Further Education Funding Council,	3
Local Regen. Group	Rotherham Economic Partnership, Barnsley Regeneration Forum, Doncaster Regeneration Partnership	3
Misc.	English Partnerships, English Nature, Rural Development Commission, Yorkshire and Humberside Tourist Board, Sheffield Development Corporation	5
Other	South Yorkshire PTE, VONEF, Sheffield Black Community Forum	3
Private	British Coal Enterprise, Yorkshire Enterprise, Avesta Sheffield, Barnsley Chamber of Commerce and Industry	3
Total		25

Source: GOYH Records

Table 7.3: The Composition of the Humberside Area Advisory Group

Sector	Organisation	Total
Central Govt Dept.	GOYH Secretariat, ED, DoE (occasional participation)	1
EC	Occasional Participation	-
LA	Great Grimsby BC, Hull CC, Beverley BC, Humberside CC (now defunct), Cleethorpes BC, Boothferry BC, Scunthorpe BC,	7
TEC	Humberside TEC	1
FE/HE	Hull University, Humberside University, Further Education Funding Council, Grimsby College	4
Local Regen Group		-
Misc.	Yorkshire and Humberside Tourist Board, English Nature, English Partnerships, Rural Development Commission	4
Other	VONEF	1
Private	Humber Chamber of Commerce, Hull Chamber of Commerce, Associated British Ports, Yorkshire Enterprise Ltd, British Coal Enterprise,	5
Total		23

Source: GOYH Records

Table 7.4: The Composition of the West Yorkshire Area Advisory Group

Sector	Organisation	Total
Central Govt Dept.	GOYH Secretariat, ED, DoE (Occasional Participation)	1
EC	Occasional Participation	-
LA	City of Bradford MC, Kirklees MC, Wakefield MDC	3
TEC	Calderdale and Kirklees TEC, Bradford and District TEC, Wakefield TEC	3
FE/HE	Further Education Funding Council, University of Bradford, University of Huddersfield,	3
Local Regen Group		-
Misc.	Groundwork, English Partnership, Rural Development Commission, Yorkshire and Humberside Tourist Board, English Nature,	5
Other	VONEF, WYPTE	2
Private	Bradford Chamber of Commerce, Mid-Yorkshire Chamber of Commerce, Breakthrough Ltd, British Coal Enterprise,	4
Total		21

Source: GOYH Records

The AAGs were composed of the principal beneficiaries of the Structural Funds. The scoring of projects was conducted by the Secretariat and ineligible or poor projects were referred back to the sponsor. There was little or no incentive for prospective projects to be discussed at the AAGs, as criticism of another organisation's project may lead to rejection of the critic's own project. This was especially the case where the funds allocated for a particular measure were under spent. Where an over spend was predicted then there was greater discussion, although typically this needed to be provoked by the Secretariat or the European Commission. One of the few safeguards to ensure that the AAGs were unbiased was the following clause agreed by the PMC:

> Where a member of an AAG has a commercial or other interest in a project under discussion at a meeting of the committee then he should declare that interest. It will then be for the Group to consider, in light of the circumstances of the case, whether the member should be asked to withdraw from discussion

> on the matter. Decisions will be taken by consensus (Minutes of the first PMC).[17]

Both the administrative arrangements established to select projects and project selection criteria themselves were seen by the European Commission to be less effective and generally poorer than in other regions. According to different partners this was the result of the clear fragmentation of the programme (into the three area groups) and the competition between agencies to deliver economic regeneration initiatives. In the West of Scotland and North East England programmes the administrative arrangements for the selection of projects fitted more closely with the aims of the programme (DG XVI interviews). That is, advisory groups were divided by thematic or sectoral issues (i.e. business support, innovation, tourism etc.) and drew on technical panels for expert advice. Although selection of projects by bodies made up of partners will always contain some vested interest, the West of Scotland and North East models of partnership have been held up as good examples. This is because they were divided on sectoral or thematic rather than geographic lines: as such the groups have greater expertise. Moreover in the West of Scotland programme, the thematic groups (known as Technical Panels) also had to conduct much of the scoring themselves. In the case of the Scottish Objective 2 programmes (for the East and West of Scotland), independent secretariats were established with support from all the beneficiaries of the Structural Funds. These secretariats were situated outside the administrative machinery of the Scottish Office.

Although DG XVI challenged the composition of the PMC and the arrangements for project selection, it was unable to effect any significant change within the 1994-96 period. PMC composition and selection arrangements were established by the Government Office, either at the instruction of the Director, by the work of the Secretariat, or after guidance from government departments in London. Moreover, it was apparent that DG XVI lacked sufficient resources to change the arrangements which were established. This reflected the tenor of the revised Article 4 of the Framework Regulation (No 2081/93), which emphasised the existing national framework of policy implementation above any overarching aims of the Commission in this area, other than the ambiguous clause that the Structural Funds would be implemented in a partnership of the Commission, Member State and subnational authorities.

Where administrative arrangements were significantly different, in Scotland and the North East of England, and where the local partners were also disgruntled, the partners not only articulated their concerns to the government (either the Scottish Office or the Government Office) but also offered an alternative. In both cases the government in the United Kingdom was receptive, and in the case of Scotland, supported the partnerships bid to secure technical assistance money (from the Structural Funds) to establish independent secretariats.[18]

DG XVI desk officers stressed that the drafting, negotiation and agreement of the SPD were the focus of their efforts (DG XVI interviews). The more it could achieve here, in a document which must be signed by the Regional Policy Commissioner as a Commission Decision, the more it will influence, or be able to influence, the subsequent implementation of its economic strategy. The case of Yorkshire and Humberside suggests that, faced with a divided partnership (by geography and organisation), the most it could achieve was in the quality and coherence of the economic strategy underpinning the SPD. Any changes to the administrative and selection arrangements would have required a coherent agenda to have been articulated by the partners - principally the local authorities together with agencies such as the TECs. This did not occur.

Finally, the negotiations and establishment of the implementation arrangements (administrative and selection) were constrained by time. When the programme had been agreed and signed off as a Commission Decision, in December 1994, one year of the programming period had already lapsed. Although DG XVI could probably have delayed agreement until progress in the implementation arrangements was made, it was not in its long term interests to do so. Either because it would have lost some of the good faith it had established with the local authorities or because anything significantly less than two years would have constrained the partnership's ability to commit and spend the 313 MECU allocated to the programme. As DG XVI had experienced in 1993, at the end of the previous programming period, faced with a potentially huge under spend, the partner organisations would bring forward projects, often involving transport infrastructure, which would soak up the remaining resources. A repeat of this scenario was not desirable. For the economic strategy in the SPD to remain intact, DG XVI had to allow the programme to get quickly under way. To do this it curtailed any ambitions it might have had to radically alter the implementation arrangements proposed by GOYH.

7.3 LORRAINE: THE STATE AS GATEKEEPER

The next issue which was to confront the organisations in the region, DATAR and the European Commission was how the DOCUP was to be implemented. Under the regulations, the implementation would be through a Programme Monitoring Committee, or *Comité de suivi*, which was responsible for establishing the arrangements for implementation. The composition of this committee, as in the United Kingdom, was therefore likely to shape the course programme implementation took. Indeed, the government had already sought to reduce the input of the *Conseils régional* by giving the *préfet* sole responsibility for chairing the committee in each region.

Interviews with DG XVI, DATAR and SGAR show that the central state and the European Commission sought to establish a common framework for the composition and operation on the *Comité de suivi*. In correspondence from DG XVI to the SGAR, the European Commission stressed the importance it attached to the first meeting of the *Comités de suivi*. Establishing a clear framework for the operation of this committee, would, the Commission felt, reduce the input it would need to make in the future, for instance in the discussion of individual projects. In the interview with the desk officer for Lorraine, ten areas were highlighted which the Commission wished to discuss in the first meeting of the *Comité de suivi* for Lorraine. These were:

> i. the composition and selection of members of the committee, the technical (selection) committees and the working groups which together would be responsible for the programme;

ii. the participation and involvement of the social partners in the implementation of the DOCUP;

iii. the competencies of the different committees which would support the *Comité de suivi* as well as the establishing or working procedures;

iv. the selection and scoring procedures for individual projects;

v. the procedures for accepting and rejecting projects submitted to the *Comité de suivi*;

vi. the requirements of the financial reports presented to the committee;

vii. the requirements of the annual report which is required by the Regulations, and how this should be prepared;

viii. the work programme for ensuring that the DOCUP was effectively monitored and evaluated;

ix. the actions which may be supported from the Technical Assistance budget in the programme;

x. that the programme and projects adhere to the information and publicity requirements set out in the Regulations: for instance that all projects are indicated as having received ERDF or ESF support.

The above points reflect the Commission's requirements for the *Comités de suivi* for all Objective 2 programmes in France. However, a civil servant at DATAR stressed that the framework for the operation of the committees was first established between the Commission and DATAR:

> The framework is set up by us and pre-negotiated with the Commission before anything is signed and any institutional order is given to the *préfet*. And they are not supposed to negotiate separately and infringe the framework . . . especially as to what the composition of the committee should be.

However, the same interviewee also stressed that most of the administrative rules had been established for the previous programmes. The composition of the Committee also reflected previous programmes. As a rule the committee was composed of the major beneficiaries of the Structural Funds in the region, including the local and regional council. However, the major beneficiaries were in many cases representatives of the 'deconcentrated' or 'decentralised' services of the state. Under a *Reglement Interieur du Comite de suivi* the membership of the committee was to contain the following (Article 2):[19]

European Commission:

i. le directeur général de la DG XVI

ii. le directeur général de la DG V

iii. un représentant de la BEI

Authorities of the Member State:

i. le préfet de la région Lorraine

ii. le préfet du département de Meurthe-et-Moselle

iii. le préfet du département de Moselle

iv. le préfet du département des Vosges

v. le trésorier-payeur général de région

vi. un représentant du ministre d'Etat, de ministre d'intérior et de l'aménagement du territoire (DATAR)

vii. un représentant du ministre du travail, de l'emploi et de la formation professionnelle

viii. le directeur régional de l'industrie, de la recherche et de l'environnement

ix. le directeur régional du travail, de l'emploi et de la formation professionnelle

x. le directeur régional de l'equipement

xi. le directeur régional de l'environnement

xii. le directeur régional des affaires culturel

xiii. le directeur régional du commerce extérior

xiv. le délégue régional au commerce et à l'artisanat

xv. le délégue régional au tourisme

xvi. le délégue régional de l'INSEE

xvii. le commissaire à l'industrialisation

xviii. le directeur de la mission interministérielle du PED

Subnational Authorities:

i. le président du conseil régional de Lorraine

ii. le président du conseil économique et social de Lorraine

iii. le président du conseil général du département de Meurthe-et-Moselle

iv. le président du conseil général du département de Moselle

v. le président du conseil général du département des Vosges

Although the Article stressed that the presidents, directors or préfets should attend the meetings, it also allowed for replacements to attend instead. To redress the under representation of local and regional presidents, the article allowed for them to be replaced by two representatives, chosen from the members of the assembly (elected officials) or civil servants in their administration.[20] Despite this clause, the balance of the committee was still to favour the state administration: European Commission (3 representatives); state administration (18); and subnational authorities (10, two per institution). Furthermore the committee would be chaired by the *préfet de région*. Although unanimity was required for all decisions, the balance of membership would clearly favour the central state and their representatives. Although the Commission and the subnational authorities could block any decision, they would have difficulty in shaping the agenda of the committee. Meetings of the committee were required to take place at least twice a year or could be called at the initiative of DATAR or the European Commission.

The *comité de suivi* was supported by a secretariat in SGAR, which is part of the regional *préfecture*. The head of the secretariat stressed that although the *Comité de suivi* was the most important body regarding the implementation of the DOCUP, the actual financial administration of the Programme was separate. This was conducted entirely within SGAR. However, on an operational level the *Comité de suivi* was supported by a *Comité technique de programmation* which was the body which selected projects to recommend to the *préfet* for funding. This body was composed of the more junior representatives of the same bodies which made up the *Comité de suivi*. The *Comité technique* met on average every three months.[21]

An interviewee from the *Conseil général* outlined how project selection committees were also set up at the departmental level. However, he also stressed that in most instances it was the departmental *préfecture* which was proposing projects which were then discussed by a *Comité d'engagement*. The *Comité d'engagement* would include representatives from the respective communes and municipalities of a department, as well as development agencies (the CAPEs) and the chamber of commerce.[22]

Interviewees in the *Conseil régional* and *Conseils généraux* did not oppose the implementation arrangements or the composition of the *Comité de suivi*, despite them being dominated by the state. Interviewees also felt that while the *préfecture* was the most powerful organisation within Lorraine, in terms of implementing the DOCUP, it had not abused this position. Moreover, all interviewees played down the role of DG XVI at the implementation stage, stressing that DG XVI's main role had been in clarifying technicalities, for instance over the eligibility of a specific form of matching funding. [23] This consensual relationship had been reflected at the first meeting of the *Comité de suivi* on 28th March, 1995. As interviews were conducted in Lorraine in July and September 1995, prior to the second meeting of the *Comité de suivi*, it is not possible to confirm whether this relationship was being maintained.

Although interviewees commented on the direction of funding, this was largely speculative, based on the experience of the previous programmes. It was expected that funds would go, as in the previous programme, to where sponsors had particular competencies. This meant that the *Conseil régional* would not be a significant beneficiary as its main competencies were in secondary school education and training. It would therefore receive some support from the European Social Fund for training programmes.[24] The support going to the *départements* tended to be used for business support and tourism projects.

Interviews with DG XVI highlighted the importance of established partnerships bringing forward projects, rather than individual sponsors. For instance, support for the development of infrastructure on industrial zones often rested with a body called the *Etablissément de la Metropole Lorraine*. Although involved in many smaller sites, their largest development had been the PED at Longwy. In other parts of the programme, such as the creation of enterprises or development of the SME/PME sector, support was given to the field services of national ministries. In particular *Direction Régionale de l'Industrie, de la Recherche et de L'Environnement* (DRIRE), a part of the Ministry of Industry, was responsible for enterprise creation projects. However, interviews with DG XVI suggested that the projects DRIRE support are similar to those it supports in other regions of France.

The role of DATAR, in the actual implementation of programmes, was left to two areas. Firstly, it was present at the meetings of the *Comité de suivi*. Secondly, it monitored the transmission of the Structural Funds through the national *trésor* to the ministry of the interior and then to the *préfecture*. However, DATAR itself did not hold any funds which it could use to finance projects, directly or indirectly. Its role was purely one of coordination.[25]

The role of inter-organisational structures for supporting projects appears to be widely used. An example of one such organisation, and probably the furthest reaching in Lorraine is the *Association Régionale pour le Développement d'Activités Nouvelles* (ARDAN).[26] This organisation was established in 1988 as a response to the contrat de plan and as means of bringing together the different bodies involved in economic development in Lorraine. As its name suggests, it focuses on supporting newly established small firms which are operating in new economic sectors or are using new processes of production.[27] Much of its support is targeted at advising and assisting the managers of SMEs.[28] ARDAN is composed of representatives from three sectors, the state, the region, and social and economic partners. In total 15 representatives sit on its *Conseil d'Administration*, which is chaired by a representative from the *Conseil régional* (three from the state, five from the region, and one each from the seven *collèges* of social and economic partners).[29] Under ARDAN's terms of association it is a non-profit distributing organisation.

In June 1994 ARDAN put together a proposal for support from the Lorraine Objective 2 DOCUP (*Demande de Financement aupres de l'Union européenne*). After receiving support for *activités expérimentales* in its first five years, ARDAN was aiming to expand its activities in Lorraine. The intention was to receive a global grant from the Structural Funds to support this expansion. In its financial plan for 1994 to 1998, in which only wholly new and innovative activities would be supported, funds were to be provided from, the benefiting firms (FFr 10 million), the Contrat de Plan (FFr 20.9 m), ASSEDIC (FFr 11 m), the Structural Funds (FFr 11 million), and ARDAN's own resources (FFr 0.1 million).

Although only accounting for about one per cent of the ERDF resources allocated to the Lorraine DOCUP, the example of ARDAN demonstrates that broad partnerships exist not only at the programme level, where they are a regulatory requirement, but also at the project level. ARDAN was also seen by the organisations involved as a means of piloting projects which could later be used by the participating organisations. As such it involved rigorous monitoring of its activities, with evaluations taking place every six months and full appraisals every year (ARDAN 1994).[30]

The implementation of the Structural Funds, both at the programme and project level suggests that there is a high level of consensus between partner organisations at different levels and sectors. However given the timing of the interviews in Lorraine, it is not possible to discern whether this has had a significant effect on the impact of the funds in the region. Although there appears to be consensus, the Structural Funds do not appear to be driving the process of economic restructuring in the region. Rather, by setting what appears to be a broad programme, similar to its predecessors, partner organisations are given more scope to develop more innovative initiatives, such as ARDAN, if they choose. Moreover, Lorraine, like Yorkshire and Humberside, has been awarded support from DG XVI to develop a Regional Technology Plan (RTP) in conjunction with three other regions.[31] Although the RTP is supported under Article 10 of the ERDF Regulation (for pilot projects) the small amount of money (relative to projects supported under DOCUPs), allows the region more freedom to conduct more forward looking and innovative work, which may underpin future Objective 2 projects.

7.3.1 Conclusion: Lorraine and Other French Regions

Smyrl's study (1997), of whether the Structural Funds 'empower' regions provides some interesting results of the funds impact on other French regions. He found that in Brittany, there was also close collaboration between the *préfecture* and the regional authorities. Although his evidence suggests that the *Conseil régional* had a far more important role, vis-à-vis Lorraine, 'national and European funds, legally controlled by the *préfecture* were combined with monies from the region's own budget in a common pool jointly managed by region and *préfecture*' (Smyrl 1997, p. 295). This Smyrl argues was evidence of the *Conseil régional* seizing an opportunity to increase its influence.

In comparison, Smyrl found that the experience in Provence was very different. In this region there was little or no collaboration between the partner organisations, the 'regional *préfecture* was left to arbitrate' (Smyrl 1997, p. 296). Moreover, this inability to organise collective mechanisms, such as partnership, reduced the region's capacity to engage in a wider debate over European regional policy. For instance the regional authorities were ill informed about the system of Structural Funds policy making. The result was that the *préfecture* would continue to play a gatekeeper role and remain unchallenged. As such Smyrl argues that the 'region of Provence arguably lost discretionary authority relative to the national state . . . To the extent that functional networks grew up to manage and coordinate European programs, these were centred on the state, not the region' (Smyrl 1997, p. 296).

7.4 Conclusion

In examining the implementation of the Objective 2 programmes in the two regions the case studies focused on the arrangements which were established to oversee implementation and the administrative structures put in place to score and select projects. As with the negotiation of the programmes, policy networks for implementation need to be seen in the wider policy context and the constraints this imposes. This position is reflected in Article 4 of the Structural Funds Framework regulation, which states that: 'the partnership will be conducted in full compliance with the respective institutional, legal and financial powers of each of the partners.' The case studies showed the variations in the powers held by the partners in the two member states. However, whereas the negotiation of the programmes had shown that the resources which the Commission mobilised, the implementation phase revealed how the administration of the member states were able to shape the arrangements for implementation.

In both member states the composition of the programme monitoring committees was determined by government departments, DATAR in France, GOYH in the United Kingdom. That DG XVI lacked the resources to outflank the selection of representatives by the member state was reflected in two issues: firstly, that the framework for how monitoring committees would operate was set up centrally; and secondly, that requests by the Commission for the inclusion of certain policy actors (such as elected members or social partners) was successfully ignored by the central government departments. This occurred even when the issue was brought to the attention of the European Commissioner for Regional Policy.

The outcome of this process, the composition of the committee, differed between the two case study regions. In Yorkshire and Humberside membership was drawn from a diverse array of organisations, which in part reflected the fragmentation, since the 1980s, of regeneration policy in the United Kingdom. On the PMC only three representatives were from the local authorities, despite these being the principal beneficiaries of ERDF grants. Representation from central government departments was also quite small, reflecting their limited involvement in Structural Funds in the regions. In France the pattern was reversed. State representatives (largely drawn from the decentralised field services) made up the majority of the *comité de suivi* with the remainder coming from the *Conseil régional* and the *Conseils généraux*. This pattern reflected the absence of other organisations, such as quangos and voluntary organisations, as beneficiaries of the Structural Funds. In both member states the European Commission was represented by up to three representatives. The outcome, in the form of the composition of the monitoring committees reflects the legal resources given to the member state under the regulations.

The establishment of systems for project selection and scoring was left to the different subnational authorities, including GOYH and SGAR in the *préfecture*. The systems established reflected the state of wider partnerships in the two regions. In Yorkshire and Humberside most administration (including project scoring) was conducted by a secretariat made up predominantly of civil servants from GOYH, although the number of secondees from partners did increase over the life of the programme. The three Area Advisory Groups (AAGs) which were used to recommend projects to the PMC turned out to be weak, either because they lacked a sub-regional strategy or because there was no incentive for AAG members to be critical of other sponsor's projects.

In Lorraine, a similar pattern emerged with SGAR performing the secretariat function and departmental *Comités d'orientation* selecting projects. However, there were a number of differences. The *Comités d'orientation* prioritised projects before they were submitted to SGAR, and hence members did not have the benefit of seeing the scores awarded by the secretariat. This encouraged actors to take a greater interest in projects. Secondly, the sub-regional/*départemental* level had its own administrative services. This provided a strategic focus for the work of the *Comités d'orientation*.

That Lorraine had established policy networks which were effective in implementing regional policy, even if it was still driven centrally, was reflected in a number of initiatives developed to give the Objective 2 programme greater coherence. The example cited in the case study was of ARDAN. This reflected consensus between regional policy actors because they were able to form an inter-organisational association. Although the funds available to it were small, many of the partners which were involved saw it as a forerunner to larger initiatives. However, by the end of the Objective 2 programme in Yorkshire and Humberside functioning inter-organisational structures were beginning to emerge. The most developed was the Regional Innovation Strategy partnership which had taken over the implementation of the research and technological development priority in the SPD. However, other problematic areas of programme implementation remained unresolved.

The operation of programme implementation reflected the interpretation of Article 4 by both Member States, that central government departments have overall authority for programme implementation, although this should be in partnership with subnational authorities depending on their respective resources and competencies. The latter clause appears to explain the tremendous variation in the arrangements for implementation (monitoring committee composition and selection procedures) which emerged in both member states. This finding was more surprising in France which had *prima facie* established far more coherent regional structures and a more coherent regional policy framework. That such variation exists suggests that subnational authorities which establish working partnerships, with the required organisational resources, are able to take some charge of how their programmes are implemented. Where this was not the case, and Yorkshire and Humberside is an example of this with its fragmented partnership, central government departments can more effectively impose their own priorities. However, with a government which eschewed active regional policies during this period, imposing priorities meant providing insufficient resources to secretariats and other bodies to make best use of the Structural Funds.

NOTES

[1]These guidelines are set out by Regulation (EEC) 4253/88 in compliance to the establishment of the Structural Funds, Regulation (EEC) 2052/88 and as amended by Regulation (EEC) 2982/93, and with regards to the Commission's Competition Rules and State-aid criteria as set out in Articles 92 and 93 of the Treaty, p.132-152 of Yorkshire and Humberside's SPD.

[2]The SPD monitoring committee agrees to 'draw up and approve detailed provisions for the discharge of the duties assigned to it [...] These provisions concern in particular, where not explicitly defined in the SPD: a. the procedures and arrangements for selecting individual projects and actions, including the selection method and operational selection criteria; and b. the arrangements for informing the Monitoring committee about individual projects submitted for Community assistance' (Extract taken from the Yorkshire and Humberside Objective 2 SPD, p.135)

[3]Article 25 (3) of the Coordination Regulation (2082/93) states 'Monitoring Committees shall be set up within the framework of the partnership, by agreement between the Member State concerned and the Commission'.

[4]ECOSOC (1994), *Opinion on the involvement of social partners in Community regional policy*, 27th January. Reprinted in OJ No C 127/25, 1994. The ECOSOC Opinion was made in response to the 1988 reforms to European Union regional policies in the framework Regulation 2052/88 and in

particular to Article 4 on 'Complementarity, partnership, technical assistance'. It must be noted that the framework Regulation left it to the Member States to define the Social Partners at national, regional and local levels, although this had not been contained in the first draft of the Commission's proposal for the Structural Funds. The Opinion (ECOSOC 1994, p.29) suggests that this amendment should be dropped. The Opinion goes on to state that 'there is no doubt that the institutional structure greatly influences the organisational set-up of the social partners and their ability to liaise with the administration. A highly decentralised administration which is based on elected assemblies makes participation easier, if only because it provides more forums for it. An efficient, centralised administration tends to over estimate its self-sufficiency and to channel its regional activity via technocratic bodies such as development agencies'. The Opinion also highlights the differences across the five largest European Union countries, with France and the United Kingdom in a more centrist group, although here there has been a divergence following the 'light' regionalisation process in France while the 'UK heightened the role of central government'.

[5]On the question of Social Partners, Millan stated to the same Committee: 'I tried to get the Regulations about Monitoring Committees to bring the social partners in . . . I was not able to achieve that because I could not get the Council of Ministers to agree to it. I would say that the Member State that was most vehemently against that was the United Kingdom. I cannot impose social partners in the monitoring arrangement' (House of Commons, Memoranda of Evidence, 1995 p.71).

[6]In terms of the CSF membership GOYH's 'Administrative Arrangements' (GOYH, internal documents) state that: 'the CSF should be able to take a clear and strategic view of the priorities facing the region. To this end a membership needs to be drawn broadly in terms of both sector and geography. It is also critical that members should: i. occupy top positions in their own organisation (i.e. chief executive or equivalent); and ii. make a commitment to attend monitoring committee meetings.' The monitoring committee is likely to consist of between 12 and 15 members and should 'achieve an effective mix and balance of sectoral interest and geographic representation. It will not be possible for every local authority or every TEC or every regional association to be represented on the Monitoring Committee. By contrast representation of all of these groups will be made on the sub-groups.' GOYH indicated that each sub-group should nominate two representatives (not more than one from the local authority sector). For the remainder (6-9) these were to be filled from the following sectors - training, the voluntary sector, further and higher education, rural agencies, tourism and English Partnerships.

[7]This is based on a Background Note prepared for a meeting between YHEO, DG XVI and the Chef de Cabinet of Wulf-Mathies (Supplied by YHEO, Brussels).

[8]Although representation is smaller in the Thanet Objective 2 programme, its programme is also 20 times smaller than Yorkshire and Humberside Objective 2 programme.

[9]The representative from the region's financial services community never attended a PMC meeting and eventually resigned his seat.

[10]As early as 1992 the representation issue had been raised by Peter Crampton (MEP for Humberside). This took the form of two questions to the Regional Policy Commissioner Millan. However Millan replied in a similar way to his answers to the House of Commons Trade and Industry Committee (1995). Questions QXW3197/92EN and QXW1229/93EN of the European Parliament.

[11]The case cited most frequently involved the bids from Wakefield and Doncaster for Rail freight ports: the PMC had a representative from Wakefield but the Barnsley representative was supposed to represent Doncaster. The freight ports were designed to cater for increasing rail freight traffic going to and from the region through the Channel Tunnel. Both would provide multi-modal freight facilities. However, forecasted demand for such terminals in the region was low, and by supporting both, the region would have substantial over capacity (interviews).

[12]No sources would explicitly state this position - although it is supported by 'off the record' comments.

[13]All the following extracts were taken from the following source: PMC Meeting (2 May 1995), Agenda Item 8. Provided by a member of the PMC.

[14]The relationship between Secretariat and Monitoring Committee was problematic -the Monitoring Committees were to monitor and not to allocate funds as this can only be done by a financially accountable body (i.e. a government body). Subject to this constraint 'partnership between the Monitoring Committee and government would be developed as far as possible' (EIS, Issue 155 December 1994, p.39-40).

[15]The Secretariat consisted of staff from GOYH and secondees from the Partners, funded from the Technical Assistance budget in Y&H's Objective 2 SPD. The secondees to Secretariats in England and Wales signed the Official Secrets Act. In Western Scotland, where an independent secretariat existed co-financed by the Partners with Technical Assistance money, no such obligation existed. Some partners felt that this limited the relationship which secondees could foster between GOYH and the partners.

[16]Source: PMC Meeting (2 May 1995), Agenda Item 8. Provided by a member of the PMC.

[17]Source: PMC Meeting (2 May 1995), Agenda Item 8. Provided by a member of the PMC.

[18]It is apparent that the SOID (Scottish Office Industry Department) had taken many steps to involve the 'partner' organisations in Scotland. In part this was coupled to the wider debate over devolution and also reflected attempts by the Scottish Office to distance its delivery of policy from a London based Conservative government which was opposed to devolution. Although independent secretariats were established, SOID did retain a strong presence, for instance, its director was chair of the Programme Monitoring Committees in East and West Scotland.

[19]A copy of the working arrangements (*Reglement Interieur du Comite de suivi*) was provided by a *chargé de mission* at SGAR.

[20]According to an interviewee from SGAR, the *préfet* wrote to each of the subnational authorities asking them to nominate members for the *Comité de suivi*. This clearly differs from experience of Yorkshire and Humberside, where the majority of members were selected by the director of the regional government office.

[21]The *Comité technique de programmation* is similar to programme management committees which exist in some of the United Kingdom Objective 2 programmes, such as the East and West of Scorland programmes. In effect the Yorkshire and Humberside PMC undertook both monitoring and management roles, when it should have focused on the former.

[22]A *chargé de mission* at the *Conseil général*, Moselle, commented: 'When we are working with Objective 2 its only three *departéments* which are involved. In the region there is a local representative of the state - the sub-prefet. In Moselle we have 7 sub prefet and they are in charge of collecting the projects. So they send them to the prefecture of the département who discuses them with the prefet de departement to see which operation will be presented to the engagement committee, we call this the *comité d'engagement* which decides to give money to the projects'.

[23]A comment of a *chef de unité* for France at DG XVI stressed at the first *Comité de suivi* that he hoped that the quality of the partnership established between the Lorraine partnership and the Commission would continue (source: DG XVI desk officer for Lorraine). This has been reiterated by the desk officer who hoped the quality of the negotiation would be reflected in the programme.

[24]As an interviwee at the *Conseil régional* remarked, 'most finance goes through the *préfet* and the *département*'.

[25]The only European Union programmes which DATAR manage and receive global grants for were LEADER (targeted at rural areas) and STRIDE (targeted at research and technological development).

[26]All information regarding ARDAN was obtained from the *Conseil régional*. The president of ARDAN, Christian Parra, was also vice president of the *Conseil régional*

[27]The next chapter contains a section on the private sector in Structural Funds programmes in Yorkshire and Humberside. This has not occured in Lorraine. Although the private sector is eligible, they have been excluded from most of the Priorites. As an interviewee from SGAR commented: 'We have chosen just to use public sector money. The law permits both to be used. Public or private. We

don't actually mobilise private funds in the programme. If you see the finance schedule, you'll see private funds only for tourism.'

[28]The publication, ARDAN (1994), *ARDAN: La dynamique des Projets*, (Metz: ARDAN), highlights that they have focused on providing '3 Programmes pour les Cadres et les PME-PMI de Lorraine: 1. Cadre-Développeur; 2. Cadre-Développeur Partagé; and 3. Enterprise-Pépinière'.

[29]The state representatives are from: SGAR; DRIRE and DRTE (Directeur Régionale du Travail et de l'Emploi). The regional representatives are from: délégué à la Formation Professionelle et l'Apprentissage, délégué à l'Economie et aux PME/PMI, Commission Emploi et Développement Economique, and Directeur Général des Services de la Région.

[30]In ARDAN (1994), *ARDAN: La dynamique des Projets*, (Metz: ARDAN), a section is dedicated to 'Une méthodolgie éprouvée, des procédures rigoureuses garantissant le succès de la méthode ARDAN'. This set out both its organisational structure, its systems of control and its systems of evaluation and appraisal.

[31]*Conseil Régional* (1994), *Plan Régional de Technologie Lorraine: rapport intermédiare Mai 1994*, (Unpublished Internal Report). The *préfecture* coordinates mainstream Structural Funds programmes which are regionally targeted (Objective 2, 5b, RECHAR, RESIDER, INTERREG etc). However, it has allowed the *Coneil régional* to coordinate Article 10 projects such as the Regional Technology Plan.

8

WIDER ISSUES OF REGIONAL ECONOMIC DEVELOPMENT

8.1 INTRODUCTION

This chapter expands on the analysis of partnership in the previous chapters. It argues that although the study of such policy networks and partnerships is justified, its analysis is weakened by a failure to examine how other (related) policy areas impinge on the operation of these policy networks. The two policy areas selected for the study were the involvement of the private sector in Structural Funds programmes, and the involvement of economic development agencies in Structural Funds programmes. Unfortunately, for each policy area, material has only been gathered in one region and member state. Therefore, the study of private sector involvement focuses on the United Kingdom, while the study of economic development agencies focuses on France. Although this clearly limits the strength of comparative conclusions, the results from each study are still complementary.

This chapter widens the discussion of the implementation of the Structural Funds and by so doing touches on a number of areas which begin to tie the analysis of policy networks to the capacity of the Structural Funds to achieve cohesion in the European Union. While the previous chapters examined the potential for partnerships to form and implement regional economic strategies, these suffered from a number of limitations, in capturing many of the causes of economic convergence and regional economic growth. This chapter begins to explore the constraints which many constrain policy actors from responding to these causes.

8.2 Yorkshire and Humberside and the United Kingdom: Private Sector Involvement in Structural Funds Programmes

There are two issues involving private sector involvement which have been problematic for the Structural Funds partnerships. Both are important cases as to why using grant (versus investment or loan) schemes is difficult where the ownership of assets is uncertain or where the project has a revenue generating capacity. The first is the privatisation of ERDF co-financed assets (i.e. of the public utilities, British Rail, Associated British Ports etc.) and the second is the involvement of private sector enterprises in Structural Funds projects and partnerships.

8.2.1 The Privatisation of ERDF co-financed assets: the Commission inquiry

Prior to privatisation, nationalised industries and public sector utilities could bid for ERDF support as public sector concerns. As privatised utilities the principal issue was whether assets co-financed by the ERDF were still operating in the use for which it was intended when a grant was awarded. If this was not the case then the Commission and/or the Programme's partnership should be entitled to invoke a system of claw back to recoup a proportion of the grant.[1] Following a number of cases involving the privatisation of ERDF co-financed assets, the Commission, prompted by the outgoing Commissioner Millan, launched an inquiry into the matter. All member states, were asked to provide information on Structural Funds payments which had been made to assets which had subsequently been privatised. Prior to the inquiry the principles regulating the granting of ERDF to privatised assets had been applied on an *ad hoc* basis. The European Commission therefore sought to establish the following as guiding principles both for its inquiry of past projects and the support of projects in the future (EIS Issue 157 1996, p.33):

> i. the aid should result in investment for the benefit to the users of the infrastructure rather than future shareholders;
>
> ii. the aid should be pitched at a level reflecting the extent to which a subsidy is necessary to ensure the investment is undertaken;
>
> iii. the retention of infrastructure in public use during its economic lifetime;
>
> iv. the repayment of all or part of the ERDF grant in the event of the resale of assets during their economic lifetime.

The intention of the inquiry was to allow the Commission to review these principles with a view to introducing legally binding requirements concerning the privatisation of assets in all future decisions governing Structural Funds support.[2]

The issue for the operation of Partnership is how different partners (including the Commission) attempted to resolve this issue. Most privatised companies which had operated in or through (in the case of British Rail) Objective 2 areas had received ERDF support both before and after the 1988 reforms. The Commission had been increasingly concerned that in some cases ERDF grants had been used, often just prior to privatisation, to complete expensive infrastructure and modernisation programmes. The fragmentation and privatisation of British Rail is the most recent example. In April 1996, Wulf-Mathies wrote to Clare Short (then Labour's Transport Spokesperson) confirming that the Commission would be considering whether there was a case for clawing back grants made towards modernising the East Coast main line, which had been sold to Sea Containers. The letter stated that the investigation would examine whether ERDF investments continued to be for the public benefit and 'used for their original purpose' (The Guardian 24 April, 1996, p.4). Short, acknowledging that United Kingdom public assistance had also been awarded argued:

> Both public and European investment has made the East Coast main line a jewel in the crown of the rail network. The morality of this misuse of public funds is deeply questionable and it is encouraging that the European Commission is investigating the issue (The Guardian 24 April, 1996, p.4).

At the time of writing, this and the other sales of co-financed assets had still to be resolved. However, it was a debate which had emerged locally (being raised by the local authorities) but had been carried forward at national and European Union levels. In particular, Labour MEPs had exerted sustained pressure on DG XVI to seek a resolution. The claw-back of grants, particularly where insufficient financial control mechanisms were in place, suggest that this would prove difficult.[3]

The issue was clearly linked to a wider national debate (i.e. on privatisation) and therefore achieved a much higher profile than it might have done. However, compared to the Additionality dispute of the early 1990s the issue was unlikely to provide the same 'victory' for the Commission and local authorities. This is probably due to a constellation of factors. These include *inter alia*: the issue is far more complex than the additionality dispute and involved partial changes in the purpose of assets rather than absolute changes; returns on particular investments were easily masked in company accounts; there were few direct benefits for local authorities to support the Commission (principally because it would not lead to an increase in future local authority revenue); and the Commission lacked the resources to conduct a full inquiry into privatised assets.[4]

8.2.2 PRIVATE SECTOR INVOLVEMENT IN STRUCTURAL FUNDS PROGRAMMES

Article 17 (3) of the Coordination Regulation (EEC No 2082/93) allows for support to be given to private sector concerns; although how this is regulated in practice has been left to discussion between the Commission and the member states, along with local practice. However Article 17 (3) states that in line with European Union Competition Policy, which regulates investments in enterprises, that:[5]

> [...] In any event, in connection with the development effort in the regions concerned, the contribution from the Funds to investments in enterprises may not exceed 50 per cent of the total cost in the regions covered by Objective 1 and 30 per cent of the total cost in the other regions.[6]

Together with Article 13 (3) (Differentiation of Rates of Assistance) of the Framework Regulation (No 2081/93), the Structural Funds have been able to increasingly prioritise contributions from the private sector, although in practice this has been problematic.[7]

The April 1994 draft of the Yorkshire and Humberside SPD had included a figure for private sector contributions based, according to one officer involved, on a 'back of a fag packet calculation'. This was partly because of the short drafting time and partly because data did not exist to support an accurate estimate of the private sector's likely involvement.[8] As the Commission's response stated:

> The anticipated level of private sector financial participation is 2.6 per cent of the total planned expenditure. This low figure is partly the result of a failure to specify where the private sector is contributing and partly a result of the heavy public sector emphasis in many of the measures and likely projects. Further information is needed to explain how the private sector will be involved in the plan . . . Greater private sector participation could be stimulated through private sector contributions for training schemes, through stimulating investment in productive activity encouraged through grants and loans and through grants to make infrastructure projects more viable (CEC 1994e, p.10).[9]

Private sector involvement in United Kingdom Structural Funds programmes had been prioritised both by the United Kingdom government and by the Commission, perhaps more than in other Member States, however the forms this should take produced conflict. It was agreed at the LGIB meeting (discussed above) that the Commission and the United Kingdom authorities would clarify this issue at the beginning of the programmes (January 1995).[10] However, such delays were perceived by many in the region to undermine the region's strategic approach. As Peter Crampton wrote in a letter to Charles Wardle MP (Under Secretary of State for Industry and Trade):

> I am told that there are a number of private sector companies in the region who would like to have access to ERDF assistance but because there are no clear guidelines from the UK government (or from the Commission), projects (of public benefit) are not going ahead (15th September, 1994).

Wardle's response reaffirmed the line that any decision would have to wait until the issue was clarified between the Commission and Central Government.

That the United Kingdom government recognised this issue was highlighted in a House of Commons question (24 May 1995) to Tim Eggar MP from Joan Lester as to how the private sector can be involved in ERDF. Eggar's response was:

> It is Government policy to encourage private sector participation in projects partly financed by the European regional development fund . . . We have today introduced new criteria for this purpose . . . Projects . . . will need to be of general economic benefit to eligible areas and to meet the other conditions of ERDF grant. . . . To encourage maximum private sector involvement, the private sector will be able to make a reasonable profit on investment. Conditions attached to grants will ensure that any excessive profits that might be derived from ERDF grants continue to be used for the general economic benefit of the area and that risks will be shared appropriately between the public and private sectors. Grant will normally be routed through a public sector participant, which will be accountable for proper project administration for grant purposes. Where this is not appropriate, grant may be paid direct to the private sector.[11]

For the operation of the Partnership, the most important issue was that they received guidelines from either the Commission or the United Kingdon government as to how the private sector could be involved in ERDF co-financed projects. Even within the United Kingdom government there were differing views as to what role the private sector might have. By the end of 1996 a clear formula was still to be adopted. Both the Scottish Office and the DTI had released guidance notes which set a number of conditions but left certain areas unanswered. These included the relationship with the Government's Private Finance Initiative.[12]

The Scottish Office guidance for business development projects states that such schemes may only receive ERDF assistance for those costs borne by the public sector lead agency and where the ERDF grant does not exceed 30 per cent of the total cost of the project. As far as the private sector is concerned there is no direct advantage to them. The SOID (Scottish Office Industry Department) guidance for capital projects cover different administrative aspects of the project.[13] However, they leave outstanding issues such as, what is a 'reasonable' profit from a particular investment and how value for money is ensured: for instance where local authorities use a competitive tendering system and where ERDF support is awarded on a competitive basis. With such uncertainty it is difficult to encourage private sector support. The DTI's paper 'European Funding and the Private Sector' was far less extensive than the Scottish Office guidance and indicated that ERDF grants may be available to the private sector as long as the scheme is in the public interest and can clearly demonstrate a net economic benefit for the region concerned. The grant must not contribute to private profits and public participation is strongly recommended although not compulsory as in the case of the Scottish Office.

The Commission does not have a unified view on the role of private sector finance. DG XVI, as *chef de file* for ERDF, broadly supports private sector participation. However, it has expressed doubts over the validity of SOID's guidance, as the SPDs, to which SOID refers, make no explicit reference to private sector funds and therefore cannot be counted as eligible expenditure against an ERDF grant. This caused the Commission to delay agreement to Scotland's Objective 5b programme until the issue was resolved. DG XX (Financial Control) fears losing control over ERDF, if non-public bodies are allowed to spend the grant. Finally, DG IV (Competition) may block any private sector intervention on the grounds that capital grants from ERDF constitute state aids.

Local authorities welcomed private sector support while wanting to maintain control over the regeneration process. In particular they viewed ERDF support as a means to provide a catalyst for regeneration rather than ERDF as a subsidy to the private sector. The SOID criteria maintained local authorities 'stake' in all projects although whether this needed to be through financial contributions is questionable. For instance they could have maintained control through using mechanisms such as land tenure or asset holding, which would not have drained local authority reserves. In addition, the public sector's role in monitoring projects needs to be explicit and powers to sanction activity outside the limits imposed by the SPD need to be effective. However, as differences remain, ERDF support is unlikely to draw in significant contributions from the private sector. As the EIS article (EIS Issue 158 1996, p.5) concluded:

> Until the Commission and the UK government fully accept the principle of using ERDF to support private funded projects, the guidance produced so far carries little weight. The delay provides a good opportunity for the local authority Associations to apply pressure to the Government and the Commission by setting out a consistent view of what local authorities would

like to see included in future guidance notes. The aim would be to galvanise the various interested parties and eventually produce guidance acceptable to all.

In May and September 1995 the DTI issued further Guidance Notes in an attempt to clarify many of the outstanding issues. The note in May set out the mechanisms and criteria for ERDF grants to infrastructure projects which are wholly or partly financed by the private sector.[14] The guidance is based on four 'fundamental' principles:

i. private sector contributions should be maximised;

ii. value for money be ensured (e.g. the choice of private sector contributors should be competitive; profits should be reasonable and a mechanism established to prevent excessive profits; and the risks of the investment, including any requirement to repay grant, should be shared between the public and private sectors);

iii. financial propriety must be upheld;

iv. the mechanism must be capable of effective administration.

In most cases projects must involve at least one public sector contributor (known as the 'primary recipient'), who would take the lead in ensuring that the public interest is protected. The primary recipient, to whom the grant is paid, must itself contribute at least five per cent of the project's total cost. This recipient can then pass on part of the grant to 'secondary recipients' who might include the private sector. However, the primary recipient will retain overall responsibility for the grant, although contractual obligations should allow the liability to be spread across the recipients. Any clause for claw-back should be set out in relation to the level of profit accruing to the public sector and the grant rate. Offer letters should attempt to allow for these circumstances; and if they were invoked during the lifetime of an SPD, should be recycled in the same Structural Funds programme.[15]

However, the DTI Guidance Note is unlikely to be the final position over how the private sector is dealt with in the programmes. In particular it leaves unanswered many of the issues raised by the local authorities. In the autumn of 1996 DG XVI launched a study to investigate 'ERDF Grant Rates for Revenue Generating Investments'. The terms of reference which were set outlined two dimensions to the study, both refer to the Articles in the Regulations outlined above. The first was to examine how the treatment of revenue generating investments needs to be understood both as a policy problem (Article 13.1) where ERDF is attempting to support a programme of regional economic development, and as problem of financial analysis (Article 17.3) where it is necessary to achieve value for money from the ERDF and stimulate private sector contributions and leverage behind ERDF grants. The second dimension concerned implementation, where for programme implementation it was necessary both to apply a system of project scoring and selection, and a method of financial appraisal to assess the revenue generating capacity of a particular project.[16]

This discussion on private sector involvement and participation in Structural Funds programmes raises a number of issues. Although many recent regional economic development policies have emphasised the importance of SMEs in securing growth, various public policies have been unable to develop mechanisms, whether regulatory or institutional, to deliver packages of support. Unfortunately the Structural Funds appear to fall into this position. Without significant regulatory or institutional change, it is likely that the Structural Funds will continue to support projects co-ordinated by the public sector with varying degrees of focus on beneficiaries in the private sector.

The problems faced in changing the regulatory and institutional arrangements to better involve the private sector in regional economic development appear to be outside the remit of the partners involved in Structural Funds programmes, particularly those in the regions themselves. In the short term, it appears that the United Kingdom government and the European Commission have negotiated a series of compromises which while solving specific cases of private sector involvement have not altered the wider picture. At the heart of this discussion lie areas of European Union law which are more clearly defined and well established in case law, particularly in the areas of Competition Policy and State Aids. Regulations, such as the Structural Funds respond to, rather than drive, policy initiatives in these areas. In this scenario regional partners are at the end of a chain of policy initiatives, which they are unable to influence.

8.3 Lorraine and France: the Role of Local and Regional Economic Development Agencies

The study of the implementation of the DOCUP focused on public organisations, whether they be part of the central state or the subnational authorities. However, all French regions have economic development agencies which in most cases are organised at a departmental level, with accountability to the *conseil général*. The economic development agencies or CAPEs (*Comité d'Aménagement de Promotion et d'Expansion*) exist in all four *départements* of Lorraine.[17] The other large economic development agency to be studied was APEILOR (*Association Pour l'Expansion Industrielle de la Lorraine*) which is the Lorraine subsidiary of the Invest in France Bureau, itself a subsidiary of DATAR. The focus on the CAPEs and APEILOR was because they were all free standing organisations which did not derive their core funding from the contrat de plan or the Structural Funds. This is in stark contrast to organisations such as ARDAN, discussed in the previous chapter. Research on the economic development agencies consisted of in depth interviews with managers from each, which focused on the role of the CAPEs, its relationship to the *Conseil général* (for instance its accountability), whether or not it accessed the Structural Funds, and what its principal activities were. A similar interview method was used for APEILOR. Research also involved collecting an array of documentation from the organisations, such as analyses of the local economy, promotional literature, and other unpublished material.

The CAPEs differed from APEILOR largely due to their respective accountability. While the majority of the CAPEs' funding came from the *Conseils généraux*, with some contributions from the chambers of commerce, APEILOR was a subsidiary of DATAR. APEILOR was established in 1966 with the main task to attract companies to Lorraine. Its second task is to help Lorraine companies to develop and grow in the region. Its main task is conducted through DATAR's Invest in France network of offices in north America and East Asia. For both tasks APEILOR's role is to find incentives for potential investors. APEILOR's day-to-day costs are covered from three sources, from DATAR, from the departments and from companies in the region. The last form of support is given on a subscription basis.

Although the CAPEs are concerned primarily with finding inward investors, they can only do this through networks provided by the national and regional levels, that is DATAR and APEILOR. As an interviewee commented, 'most investors will never have heard of Meurthe-et-Moselle, Lorraine is much easier to sell, although we have offices in Atlanta, this office is run by people from APEILOR and the four departments together.' However, this was a recent development. In 1985 the CAPEs had operated separately. The fragmented system had slowly been replaced until their representative offices on the United States and East Asia merged. Moreover, DATAR had strengthened its 'Invest in France' network of offices which the CAPEs began to work more closely with. The interviewee suggested that Lorraine's coordinated approach had not been reflected elsewhere in France, and went as far as suggesting, 'Lorraine is a pioneer in France. Inward investment agencies are still split in other regions with responsibility resting with many different actors.' Other interviewees highlighted how the region and the departments, through the CAPEs, had become far more important actors in economic development in the previous 10 years. In particular, the creation of the CAPEs as self standing organisations had given the departments far greater autonomy in economic development, and outside of areas were determined by the state.[18]

Asked whether it helped having APEILOR in the region, an interviewee from CAPEMM responded:

> it helps a lot because they have a very close relationship with DATAR. If APEILOR did not exist in Lorraine then we wouldn't have the same kind of relationship that we have with DATAR . . . because all the projects coming from the DATAR network (Invest in France Network) go to APEILOR and then they split the projects all over the region. In regions where DATAR has no local agency it is much more difficult because everybody wants a good contact with the DATAR network.

Potential inward investors in Lorraine which were passed to APEILOR by the Invest in France network, would, in many cases, have already been checked by DATAR. That is, DATAR would set guidelines for any possible package of support which could be offered. An interviewee at APEILOR suggested that it was rare for an investor, at the stage when they had already approached the region, for it to be making a choice between two French regions. More frequently it was choosing between Lorraine and regions in other member states, such as Belgium or the Netherlands.[19]

Interviewees were also questioned as to why investors chose Lorraine. Three issues were stressed in all cases, the region's proximity to Germany, its far lower labour costs than Germany, and that it had an industrial tradition. This shaped the type of investors which were attracted. The inward investment agencies did not necessarily focus on firms wishing to develop the most technologically sophisticated production plants. Rather, they focused on manufacturing firms which were relatively labour intensive.[20] The other area they had concentrated on was logistics, which again was due to its central location and accessibility by road or rail to central European markets.[21]

A *chargé de mission* from CAPEMM (*Comité d'Aménagement de Promotion et d'Expansion de Meurthe-et-Moselle*) when asked what the relationship with the Structural Funds was, replied: 'there is only one area here in the Meurthe-et-Moselle *département* that is able to get European grants and this is the PED at Longwy.' However even here the CAPEMM's relationship is distant, 'once again its not the CAPEMM itself which is going to be dealing with the European Commission, its either the company or the French government.' However, the same *chargé de mission* also replied that 'I work very closely with the head of European policy at the *Conseil général*, they would not get the money for infrastructure projects if we had not informed them of where there was need.' This comment was reiterated by an interviewee from APEILOR, who argued that 'the problem with Objective 2 and Objective 5b is that except in certain cases, they cannot be directly given to companies. So we try to direct these funds which will help companies do what we want them to do.'[22]

Asked how Structural Funds would be used by an investor, an interviewee at CAPEMM replied:

> there is a common envelope . . . if the French state give FFr 1 then the European Commission gives FFr 1, so the national contribution doubles . . . but it is not dedicated to a special area, either infrastructure or a building or whatever . . . it is a general package depending on the amount needed for the project.

The only area where the development agencies had any significant involvement in the Structural Funds was at the PED at Longwy.

The CAPEs were questioned about the incentives they could offer. An interviewee from CAPEMM replied: 'We have two funds. One for large projects which is dispensed by comparing the cost-per-job of a short list of projects, which are considered in terms of the overall importance of the investment. Projects are discussed with APEILOR and with DATAR. The other fund is a building development grant which is used to support local businesses which are growing, for instance if they need larger premises then this could be used to prepare a site and support some of the construction.'

An interviewee at APEILOR commented that they differed from the CAPEs because as a subsidiary of DATAR they work to national guidelines and objectives. As such they were closely involved with the *préfecture*. However, APEILOR was also responsive, through its funding arrangements to the subnational authorities. Despite this, its principal line of accountability was to DATAR. Its main task was to act as the intermediary for assistance from the *Prix d'Aménagement du Territoire* (PAT). This assistance is similar to Regional Selective Assistance in the United Kingdom. All applicants for PAT in Lorraine would have to apply to APEILOR, who in turn would liaise with DATAR. On the other hand, if a company wishing to invest in Lorraine was to approach APEILOR for support, then it would approach each of the CAPEs, as in most cases the PAT would have to be matched by support from the *Conseil généraux*. However, to maintain ongoing cooperation, the CAPEs and APEILOR met every three weeks to present details of the projects they are working on. Although there is no compulsion to do this, each CAPE is aware that APEILOR can provide access to financial support. The same is of course also true for APEILOR.

Not all areas in France were eligible for PAT. Assistance was provided up to three levels, depending on the economic situation of the areas, at 17 per cent of investment costs, at 25 per cent and at 34 per cent. Only investments in the PED at Longwy were eligible under the highest ceiling. The PAT was awarded, as with the RSA in the United Kingdom, on a cost-per-job basis. Thus at the 17 per cent level, support was awarded at a FFr 50,000 per job created, while in areas eligible for 25 or 34 per cent, this rose to FFr 70,000 per job created.

Asked whether the system by which the CAPEs and APEILOR were organised had changed, an interviewee from CAPEMM replied:

> the policy changed a lot last year [1994], we were on a national basis and now the French state is trying to give more responsibility to the local authorities, such as the regions and the departments. The responsibility of the region is growing more and more, it means that they get less from the state and so they have to increase regional taxes.

Regions are also gaining new responsibilities in large scale infrastructure developments, as an interviewee from CAPEMM confirmed:

> except for national schemes, such as TGV or autoroutes, where regions also make a contribution if the infrastructure passes through their area, responsibility now rests with the region for most general infrastructure improvements . . . which means that the region has to find more funding.

However, the state remains very much involved in industrial development.

8.4 CONCLUSION

8.4.1 PRIVATE SECTOR INVOLVEMENT

The case study of Yorkshire and Humberside developed a discussion of private sector involvement in Structural Funds programmes. This reflected the problems which many policy actors in the region and in the European Commission faced in effectively involving the private sector. The first part of this discussion focused on the European Commission's inquiry into the privatisation of assets which had been co-financed by the ERDF. Although the inquiry was European Union wide, it focused largely on the United Kingdom. DG XVI was seeking to establish a principle in an area which was unclear in the Regulations. In many ways the Commission inquiry resembled the Additionality dispute between the European Commission and the United Kingdom government in the early 1990s. The case study highlighted how the European Commission mobilised political resources by developing the support of Labour Party MPs and MEPs, with the aim of getting the sale of co-financed assets onto the national agenda.

The sale of co-financed assets, however, differed from the Additionality dispute in a number of important areas, and as such DG XVI was ultimately to fail to outflank the Member State. This was for three reasons. Firstly, the issues involved were often partial rather than absolute. For example if the co-financed asset had been operational prior to privatisation and for the use intended, then it would have had some of its originally intended impact. Secondly, the sale of co-financed assets was part of a far larger policy, privatisation, which for most national politicians was seen as something which would not be reversed. Finally, the European Commission's argument, that grants should be clawed back from the privatised companies, was unable to gain the strong support local authorities or national politicians, because it was unclear whether this would lead to any future financial benefits to the eligible areas. In all likelihood the funds, if clawed back, would return to the European Union budget and from there be redistributed to the Member States as direct payments. In the Additionality dispute it had been clear that success would mean increased financial resources being paid to the eligible areas. The sale of co-financed assets shows how for resources to be mobilised to enable the European Commission to outflank the Member State, it must be able to form a strong coalition with domestic policy actors. For this to happen the European Commission has to be able to offer something in return.

The second part of the discussion was on the involvement of the private sector in Structural Funds programmes and as direct beneficiaries of these programmes. The discussion showed that although the European Commission may encourage the involvement of the private sector in Structural Funds programmes, it is an area which is extremely difficult for the Commission to realise. This is largely because the provision in the Structural Funds Regulations for private sector involvement is largely contingent on other European Union policy areas (such as Competition and State Aids) and upon the legal provisions in the Member States themselves. The Structural Funds regulations, and therefore the legal resources at the disposal of DG XVI, are therefore subsidiary to other European Union and national policy areas in this specific area.

DG XVI was severely constrained in what it was able to achieve in the involvement of the private sector in Structural Funds programmes. This shows the boundaries policy actors face in working within the Structural Funds regulations to shape regional economic policy and strategies which actively involve the private sector. Partner organisations in the regions themselves, although recognising that private sector involvement was vital to the success of Structural Funds programmes, did not have an interest in involving other partners which would be potential rivals for the funds available. This was particularly the case for the local authorities and TECs, the principal recipients of Structural Funds in the English regions.

DG XVI was also constrained by other policy areas of the European Commission. Competition Policy and State Aids have already been mentioned. However, DG XX (Financial Control) probably constrained DG XVI's scope for action more than DG IV (Competition). At the end of the 1994-96 Objective 2 programmes, the European Commission was increasingly concerned that its budgets (not just Structural Funds) were administered and distributed with due financial probity. This concern was reflected in its SEM 2000 (Sound and Efficient Management) exercise. Both DG XX and UCLAF (*Unité de Coordination de la Lutte Anti-Fraude*) were instrumental in ensuring that the SEM 2000 exercise was completed and that its subsequent guidelines were implemented by the appropriate DGs. This led to the publication in May 1997 of SEM 2000 Datasheets for the Structural Funds. Although concerned with an array of issues they were to ensure that future private sector involvement in Structural Funds programmes would be directed by explicit guidelines. In particular, that 'in-kind' contributions from the private sector would be costed using appropriate accounting standards, would involve a full audit-trail, and would be committed prior to a project's approval.

The case of private sector involvement in Structural Funds programmes raises two issues which are relevant to the evaluation of multi-level policy networks. Firstly, that the European Commission has insufficient resources to directly affect the involvement of the private sector in Structural Funds projects. This is partly because interests of many regional partners are to maximise the resources they receive from the Structural Funds.[23] However this is a partial view. With the private sector involved in substantial parts of domestic regeneration policies, the Structural Funds must be seen as only one part of the picture.

Secondly, the legal or regulatory resources at the disposal of DG XVI are limited in this area. Attempts to affect the involvement of the private sector must be made in the context of wider (and over riding policies) of the European Union. This demonstrates that most policy areas are inter locking and often fall within a clear hierarchy: from Treaties to Directives, Regulations, Communications and Opinions. An important research agenda for the future is to better understand in juridical terms the inter connections between different policy arenas within the European Union institutions and the relationship of these to the wider political process of the Institutions, the member states and subnational authorities. Most existing research on implementation has largely viewed such policy areas as separate and mutually exclusive *policy sectors*. Work which cuts across these sectors, and which develops methodologies to do so, is needed if our understanding of European Union policy implementation is to be furthered. Research on budget decisions, and regulatory and institutional design, already considers the linkages between different policy areas. The most relevant research in these fields has been conducted on the issue linkages which lead to side payments (Pollack 1995).

8.4.2 Regional and Local Economic Development Agencies

Private sector involvement in Lorraine's Structural Funds programmes was limited. Most projects were coordinated by sponsors from the public sector (often from the field services of central departments) or through associations of different public sector organisations. As a result the Lorraine case study focused on the work of development agencies in the *départements* and the *région* and in particular the CAPEs and APEILOR. The reason for this part of the Lorraine case study was to situate the Objective 2 programme in the wider work of development agencies.

A striking finding was that the CAPEs and especially APEILOR had hardly any direct involvement in the Objective 2 programme. They relied on the support of the public sector (the *Conseils généraux* in the case of the CAPEs) and subscriptions from local firms, often coordinated by the Chamber of Commerce. The outcome was that the development agencies were concerned with specific investments in the region, either through the expansion of local firms or from inward investment. Interview responses with managers at the CAPEs suggested that the Objective 2 programme in conjunction with the *contrat de plan* was concerned with wider issues, for instance the delivery of training programmes or the establishment of technology transfer facilities.

Although the development agencies observed the partnerships involved in implementing the Structural Funds programmes, they did not actively participate, leaving this to their respective *Conseils généraux*. They therefore sat outside the policy community which implemented the Structural Funds, but they were involved closely in the broader regional policy framework of Lorraine. The contrast with Yorkshire and Humberside was striking in the 1994-96 period where the focus of attention was the Objective 2 programme and the initiatives which it was to spin out. Moreover, Yorkshire and Humberside lacked development agencies which were not driven by national or European Union funding streams. The YHDA (Development Agency) was a quango of the DTI and had received limited additional funds from the local authorities. Other pan-regional organisations which emerged did so in the form of regional interest groups. These included the YHRA (Regional Association of local authorities), the Yorkshire and Humberside Chambers of Commerce and the YHUA (Universities' Association). Representatives of these and the Yorkshire and Humberside CBI and Yorkshire and Humberside TUC formed the Yorkshire and Humberside Partnership. The YHP had no formal role, it had a very small staff and its sole remit was to provide a forum for different partner organisations to come together. These pan-regional partnerships although serving a useful purpose were largely unable to develop a regional policy framework which was required for the Structural Funds. As such they largely reflected the interests of their local constituent organisations, rather than establishing policies which these organisations followed. These could characterised as loosely coupled issue networks during the 1994-96 programming period.

NOTES

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[1]Whether claw-back is invoked depends also on other European Union policies. Any sale of a co-financed asset should respect relevant Community policies (e.g. on competition and public procurement). Where an asset sale involves a state aid within the meaning of Article 92 of the Treaty (e.g. the asset is sold below market price), and the aid is not notified to the Commission, or the Commission finds the aid to be incompatible with Article 92, then arguably the entire transaction becomes illegal by virtue of Article 7 of Council Regulation 2081/93. In such circumstances, the whole (depreciated) value of the grant would have to be repaid.

[2]See for complete details: Europe 6404, 23-24 January 1995; European Report 2009, 21 January 1995; Commission Press Release IP/95/55, 20 January 1995.

[3]Financial Control in the context of ERDF support to a project takes a number of forms. However, in most cases, it is dependent on the implementing bodies (i.e. secretariat and national authorities) to ensure that these are adequate. Where ERDF support exceeds 15 MECU (investments in revenue projects) and 25 MECU (infrastructure projects) then the project can only be approved following a financial appraisal by the European Commission. Critically, in the grant offer letters generated by the implementing authority, insufficient checks are stipulated as to what duties the project sponsor will be obliged to complete. The grant offer letter could have formed a strong contract between the implementing authority and the sponsor. Issues which they should deal with include: the total cost of the project and rate of ERDF support; the date of project completion and the project's economic lifetime; outputs it will achieve; the anticipated revenue accruing from the asset (where the partnership may impose ceilings on the generation of revenue).

[4]The comparison with the additionality dispute is interesting. A more tangential argument was that the previous Commissioner (Millan) as a former Labour Minister had far stronger political allegiances through which to maintain pressure on the United Kingdom government. Wulf-Mathies, lacking such links, was unable to keep the issue on the agenda.

[5]Prior to this paragraph, Article 17 (3) states that: Where the measure concerned entails the financing of revenue-generating investments, the Commission shall determine, within the framework of the

partnership, the contribution from the Funds, or these investments, in compliance with the provisions of Article 13 (3) of Regulation (EEC) no 2052/88 and on the basis of the criteria referred to in paragraph 1 of that Article, taking account of, among their intrinsic characteristics, the size of the gross self-financing margin which would normally be expected for the class of investments concerned in the light of the macroeconomic circumstances in which the investments are to be implemented, and without there being any increase in the national budget effort as a result of contribution from the fund.

[6]Article 13 (1) (Differentiation of Rates of Assistance) of the Framework Regulation which this article refers states: 'The Community contribution to the financing of operations shall be differentiated in lights of the following: the gravity of the specific, in particular regional or social, problems to be tackled by the operations; the financial capacity of the Member State concerned, taking into account in particular the relative prosperity of the State and the need to avoid excessive increases in budgetary expenditure; the special importance attaching to measures from the Community viewpoint; the particular characteristics of the types of measure proposed.

[7]In most Member States, the Structural Funds are disbursed through public bodies, typically regional and local authorities or central government departments. These established systems of financial control for public assistance. However, where the private sector is involved, no such control mechanism exists and therefore projects which have been funded have been in partnership with the private sector, with the public body remaining accountable for the Structural Fund assistance.

[8]Quote from a secondee to the European Funds secretariat in GOYH.

[9]Indeed, in the agreed SPD, an ambiguous statement as to private sector finance was made: 'The Partnership aims to maximise private sector investment in projects funded under this programme. Many private sector companies in this programme area will have the opportunity to reap substantial benefits from the ERDF and ESF' (GOYH 1995, p.129).

[10]The financing of Business Links is an example of this. The DTI launched Business Links in 1994 as a solution to poor business support service provision. However, where these fell in Objective 2 areas, the government had sought to use the Structural Funds. This raised clear additionality problems at the project level.

[11]See the DTI's 'Note by the Department of Trade and Industry: ERDF Grants to Privately Financed Infrastructure Projects' and 'Private Sector Involvement in ERDF Infrastructure Projects' (DTI 1996).

[12]See a judgement by the Court of Auditors on loans made by Credit Suisse to two local authorities which were to prove unrecoverable. This was because they had used the loans to guarantee finance for projects involving the private sector: however, the local authorities acted outside their powers and were therefore not supported by central government capital controls (Financial Times, 9 May 1996, p. 3).

[13]These include: the applicant, who effectively underwrites the ERDF grant, must be from the public sector; the public authority must contribute at least 5 per cent of the overall public sector contribution; projects must be undertaken in a way as to satisfy DG XVI's Solima criteria (these require - control by a statutory or similar body, the aid must result in investment to the benefit of the consumers/users of the infrastructure, aid will be pitched at a level reflecting the extent to which a subsidy is necessary to ensure the investment is undertaken, and the infrastructure must remain in public use during its economic lifetime); and the applicant is responsible for reimbursement of ERDF grant in the event of a breach in the terms and conditions of the grant. See EIS 158, 1995, pp. 3-5, *Private Sector Participation in ERDF: The Problems of Partnership.*

[14]In this case infrastructure investment means an investment which results in the formation of a fixed capital asset.

[15]Guidance from the DTI on ERDF grants to privately financed infrastructure projects, 22 May 1995.

[16]The findings from this study were to still to be published at the time of writing. The study was being conducted by Enterprise plc. and was to be entitled, *A cost-effective approach to determining the appropriate levels co financial support from the Structural Funds. A Study of ERDF Grant Rates in the United Kingdom with particular reference to revenue generating projects.*

[17]However as the research was concerned with the industrial declining parts of the region, the CAPE for the rural Meuse was excluded.

[18]An interviewee from APEILOR commented that, 'APEILOR, the four CAPEs, the *Conseil régional*, and the *préfecture* are the main actors in economic development. You could also have the communes or towns, but then it would become too fragmented and would reduce the productivity of the economic development effort'.

[19]The interviewee responded, 'if you're asking how DATAR will arbitrate between two regions, DATAR will do it in terms of regional planning. They will try to look according to the localisation which has taken place by the company and where this would have the greatest impact'.

[20]An interviewee from APEILOR commented that, 'up until now the sectors we have been able to attract in Lorraine are mostly in the automobile sector, plastic industry, mechanical engineering, wood related business and agri-food businesses'. Asked why this was the case, the interviewee gave two reasons, 'firstly, that these had been boom sectors at a time when other things were collapsing, this is especially true for plastics, agri-food and for automobiles, and secondly, that we have been trying to rebuild an industry that could use the competence that already existed in the region. For instance, the mechanical industry was very much employed in mining, steel and textiles. So we were able, by shifting to a different end user but while dealing with same labour force profile of the region'.

[21]As a *chargé de mission* from CAPEMM commented, '90 per cent of the companies that we have managed to get here are interested in doing business with German companies. I guess that is the number one criterion . . . not in the German market because its too expensive but close to the market . . . whereas 10 years ago they would have certainly chosen Alsace, but Alsace now has a shortage of labour and costs are rising, as well as a high labour turnover, whereas in Lorraine unemployment is still high. Its still too far to commute from most of Lorraine to Alsace or Germany'.

[22]Asked whether APEILOR coordinated projects itself, the interviewee responded: 'No, we don't do that. They will go through sometimes towns, sometimes communes or *syndicats mixte*. So for instance the way it most often works is usually that when a *syndicat mixte* or a town wants to create a new industrial park that is extremely expensive, because, first of all they have to buy the land, then prepare it, and then improve the infrastructure to the site. Objective 2 support will go for these final forms of support, that is, preparing the land'.

[23]However evidence from the 1997-99 programme in Yorkshire and Humberside in part contradicts this finding. In this programme the European Commission, with the support of the Government Office, provided indicative figures for the expected involvement of the private sector in each Measure. The implication was that the greater the contribution of the private sector, up to a specified maxima, the greater likelihood that a project would receive support.

9

CONCLUSION

9.1 INTRODUCTION

This thesis set out to explore the following research issue: how appropriate is a 'Europe of the Regions' for achieving Cohesion in the European Union? Debates in political science and economics in the late 1980s and early 1990s focused on whether a Europe of the Regions provided a model for the future economic and political order of Europe. These debates have now moved on. Indeed, a Europe of the Regions, provided as much a slogan and a unifying theme, as a robust approach to the study of European Union policy making and structural economic change. However, the debates did provide a platform for theoretical and empirical advances to be made.

The theoretical framework for this thesis stemmed from the conflicting explanations of the processes of European Union governance provided by intergovernmental institutionalism and multi-level governance. Most of the previous work, both on multi-level governance and intergovernmental institutionalism, has focused on the earlier stages of policy making, namely on budgetary decisions, and on institutional and regulatory design. The empirical investigation of the implementation of the Structural Funds focused on the development of regional economic strategies (rather than other outcomes such as the resources allocated to a region from the Structural Funds). Policy networks approaches were used in a multi-level governance framework to examine the formation of economic strategies.

Step-by-step the thesis outlined the processes which are causing both economic convergence and divergence, and also why certain regions have grown much faster than others. It elaborated upon this by presenting a series of implications facing policy makers. These were based on a review of contemporary literature on convergence and on regional economic growth in Chapter 1. This work showed that the current processes of economic development hold certain implications for cohesion and structural policy making. The methodological challenge to the thesis was how and whether the European Union (from the European Commission to subnational authorities) responded to these processes in the formation of regional economic strategies.

The thesis focused on how the European Union's cohesion policy, in the form of the Structural Funds, has evolved, and moreover, explained this in terms of the ability of the European Commission together with subnational authorities to shape the direction these funds took. With the use of two case studies, of Yorkshire and Humberside and Lorraine, it tested whether policy networks analysis is capable of explaining variation in the implementation (i.e. partnership and programming) of the Structural Funds in two regions.

9.2 Yorkshire and Humberside: Region Building Through Programming and Partnership?

The process of drafting the 1994-96 SPD revealed that the Commission had been extremely influential both in the actions which would be funded and the strategy which drove the direction of these actions. This process represented a substantial shift in the way in which economic regeneration was perceived by the partners: moving it away from traditional regeneration schemes to more innovative actions conceived regionally and implemented through the appropriate mechanisms, in which the role of partnership was extremely important. The negotiation of the SPD between September and December 1994 was the pivotal period for understanding the interplay between policy actors at different levels and the formation of regional economic strategies.

However, understanding the operation of Structural Funds partnerships needs to be placed in context. It is difficult to isolate many of the changes in the operation of partnerships as being solely the result of negotiations over the implementation of the Structural Funds. Many need to be seen in the context of an emerging national debate over regional policy. Indeed many of the changes at the regional level were driven from the centre, for instance the establishment of the regional Government Offices. The findings of the House of Commons Trade and Industry Select Committee in 1995 on regional policy were emblematic of the shifting debate both nationally and regionally.

Following the House of Commons Report on regional policy, the Labour Party launched a Regional Policy Commission in 1995 chaired by the former European Commissioner Bruce Millan and published a report *Renewing the Regions* in September 1996. Focusing on the English regions, the report attempted to pull together the views of a panoply of academics and practitioners involved in regional policy. Its findings reflected these views rather than offering wholly new ideas as to what an incoming Labour government might do with the regions. Its principal recommendation was that Regional Development Agencies (RDAs) should be established. The Chair of the House of Commons Committee and coordinator of the Labour Party Report was Richard Caborn, who in the new Labour government, became Minister for the Regions in the new Department for the Environment, Transport and the Regions.

It is contestable as to whether many of the recommendations made by the Regional Policy Commission report (1996) are valid, given the inherent institutional weaknesses of subnational authorities and agencies in the United Kingdom. This is not to blindly advocate regional government (in whatever form) as a solution but to note that there are weaknesses in current regional policies which are exacerbated by the framework within which the policies are implemented. Implicit in the Structural Funds regulations is the notion that for regional economic development to be successful there must be a strong set of regional institutions, or, at the very least, organisations which together can function as regional institutions. What the 1994-96 Objective 2 programme demonstrated, was that organic regional policies could be pushed in certain directions by external organisations and policies (such as those of DG XVI). Over the 1994-96 period regional partnerships were strengthened, and by implication, the policy space in which the Structural Funds are implemented. The case study of Yorkshire and Humberside captured the beginning of these changes.

9.2.1 Recent Developments

Within Yorkshire and Humberside there have been important changes in the operation of Partnership since this research was conducted. The creation of GOYH in 1994 in the midst of drafting the SPD, and the radical changes which were subsequently proposed in the new SPD, meant that GOYH had been a focus for criticism, particularly from the local authorities. A large part of this was probably as much the result of the organisational problems it faced as a new institution. However, the creation of the government offices was also part of the new focus on regional issues.

When YHRA's *A Partnership for Europe* (1993) was published it was the first attempt by all the partners to articulate a vision of the direction in which Yorkshire and Humberside's economy should go. The next step in this process was the preparation, negotiation and agreement of the 1994-96 SPD. However, the implementation of the SPD was to provide the catalyst for further issues to be developed at the regional level. Three inter-related areas can be identified, although at the time of writing, some are more developed than others: the increasing sophistication of economic strategies; the articulation of the general interest of regional partnerships over the individual interest of local partners; and the structures established to implement policies.

Regional Strategies: The 1994-96 SPD had a clear focus around four economic drivers: business support; research and technological development; physical infrastructure; and community economic development. By the middle of 1996, strategy or priority groups at a regional level had emerged to guide policy development for three of these drivers (infrastructure was the exception). Although supported by the Secretariat, senior policy officers in relevant organisations were participating actively in the work of these groups. Under Priority 3, for research and technological development (RTD), an Innovation Group had been established to take forward this economic driver. One of its first tasks was to commission the *Regional Innovation Report: Towards a Blueprint for a Regional Innovation Strategy for Yorkshire and Humberside* (ReRO 1995). This document was to underpin the work of the Innovation Group which, together with the Innovation Unit in GOYH, was to take over the scoring and selection of RTD projects from the Secretariat and Area Advisory Groups.

As the priority-based approach to regional development became established and partners saw these as the means to articulate economic strategies, a Business Support group emerged, which was driven by the TECs, Universities and Further Education Colleges. Its work led to the commissioning of a study in 1997, a *Strategic Framework for Business Support in Yorkshire and Humberside* (Coopers and Lybrand 1997). A Community Economic Development (CED) group had established in 1997, although its task was less formal, on one side to feed into to the preparation of the CED priority in the 1997-99 SPD, and to provide a body which could link policy formation at a regional level with activities taking place in disadvantaged communities. In 1998 it commissioned a strategy to guide CED policy makers and practitioners in the region. With the emergence of an array of sectoral strategies, the relative importance of the one in the SPD declined. As a civil servant involved in drafting the 1997-99 SPD remarked, 'the SPD is no longer the only show in town as far as Yorkshire and Humberside is concerned. In 1994-96, it was.'

The General Interest of the Partnership: According to interviews conducted during 1997 with partner organisations in Yorkshire and Humberside, and the European Commission, the operation of the Yorkshire and Humberside Objective 2 partnership was changing. While the interest of individual partners pervaded the negotiation and early operation of the Objective 2 programme, by 1996 (when the programme for

1997-99 was being prepared) partners became concerned with improving the way in which the Structural Funds were used in the region. While previous economic strategies had allowed the partnership to come together, these documents had not been technical documents. They represented the aspirations of the partners, rather than carefully constructed and reasoned analyses of what was underpinning change in the regional economy.

To assist in this process, the partner organisations in Yorkshire and Humberside commissioned, through a sub-committee of the PMC (TASG - Technical Assistance Steering Group), a series of studies at the end of 1996 to underpin the future use of the Structural Funds in the region. These were conducted and completed by the end of 1997. Notably, DG XVI actively supported these studies and was involved throughout the work programme of each. The studies were divided into three parts: economic analyses and programme impact assessments in the three sub-regions (SRAs); a programme-wide appraisal (PWA); and a quality assurance project to guide the sub-regional and programme-wide studies. These studies reflected that strategy development and project implementation did not always occur at the same spatial scale, some work was more appropriately conducted regionally, while other work was more appropriate to the sub-region or local levels. The studies were funded by Technical Assistance which was matched by contributions from the regional and local partners.

It is difficult to summarise the findings of what were to become extensive and wide ranging research projects which relied on the close cooperation of the partners. However the areas the PWA covered (which was to become a 900 page multi-volume report) gives an indication of the breadth of work conducted (GOYH 1997): Partnership Capacity; the Quality and Relevance of Economic Assessments and the utilisation of economic assessments; Relevance of Strategy and Impact and Sustainability of Job Creation; Programme Implementation (selection and monitoring systems, and progress to date); European Social Fund study; and Job Creation studies for - Business Support, Infrastructure, New Technologies and Innovation, and Community Economic Development projects.

Although in excess of 100 recommendations were made to the partnership by the PWA, three sum up the main findings. The first was Job Creation. This reflected the paramount priority of the Structural Funds which emerged following the Madrid European Council in December 1995 (EC 1995d). Although the 1994-96 Objective 2 programme had created jobs, there was much room for improvement. The second recommendation was the fostering of an 'evaluation culture'. For the size of the Objective 2 programme, too few resources (information systems, human and procedural) were committed to examining where the programme was or was not having an impact of the regional economy. The third recommendation was the use of 'economic intelligence' (Armstrong, Fowler and Mills 1998). What the 1997 studies demonstrated was that evaluation and monitoring needed to be conducted in close partnership, and involve both the private sector and the research/evaluation community.

Implementation Arrangements: In October 1996 the Department of the Environment announced that, in the future, Objective 2 funds (i.e. the 1997-99 programmes) would only be for projects which were part of 'Local Action Plans'. At first these were seen by many (DG XVI and local authorities) as attempts by central government to undermine the regional rationale of Objective 2 programmes. More critically, they were seen by some as attempts to reduce the influence of DG XVI. They were also criticised as adding little value to the existing process while increasing the administration required to implement what was already a bureaucratic process. Although these concerns remained into 1997, action planning was to begin to fit into the emerging model of Structural Fund implementation in Yorkshire and Humberside. While the Priority Groups were to be seen as the strategic bodies addressing region-wide and future issues, action plans were to be the delivery mechanism for projects. In brief, they were seen as a mechanism by which the projects of different partners could be brought together into coherent packages. Of course, whether this occurs in practice, remains to be discovered by research in the future.

9.2.2 CONCLUSION

The study of Yorkshire and Humberside, and the brief survey of other United Kingdom regions in the thesis suggests that the implementation of the Structural Funds varies depending on the institutional circumstances of the region concerned, its size, the prior existence of partnerships, and its relationship with central government and the European Commission. With this level of variation it is difficult to make overarching conclusions for the United Kingdom from one regional case study. However, from the European Commission's perspective, it appears that within certain principles (i.e. programming, partnership etc.) and certain overarching objectives (e.g. job creation), their negotiating position was increasingly tailored to the economic and political circumstances they faced in each region.

However, while the Structural Funds have provided the vehicle for much renewed debate of regional economic development, the role of the European Commission is not necessarily one of ongoing catalyst. What appears to be happening is part of a wider dynamic. In particular, the partnerships (and not individual organisations) in Yorkshire and Humberside appear to have achieved 'ownership' of the funds during the 1994-96 programme. With the establishment of improved implementation arrangements and renewed debate on the functioning of the regional economy, DG XVI concentrates fewer resources on ensuring the effective implementation of the Structural Funds in the region. It might be foreseeable that its role will shift from one of *ingénieur de politique régional* to one of regulation (interviews).[1] This reflects the degree to which the *horizontal* policy networks in the region have strengthened (with some now resembling policy communities) and this has enabled the resources (informational and organisational) committed to *vertical* policy networks by DG XVI to be withdrawn.

9.3 Lorraine: Weak Regional Institutions within a Strong and Coherent National Regional Policy Framework

The evidence presented in this case study allows a number of provisional conclusions to be made concerning the implementation of the Structural Funds in France. Many of these findings concur with the recent findings of Smyrl (1997) and Conzelmann (1995): for instance, despite regional variations, the French regional policy system is well defined and competencies and resources fit within an established framework for policy implementation. Although the elected regional and local authorities do have a role to play, this is often defined within the boundaries set by the central state, in particular DATAR, and its agents in the regions, namely the *préfectures*. While DATAR coordinates the overall direction of policy, the *préfet* deals with day-to-day and issues specific to each region. The different roles policy actors, such as the *Conseil régional*, play has matured. This is demonstrated by it not pursuing confrontational strategies to gain more authority. Subnational authorities are involved in regional policy making and implementation in a closed partnership which is centred on the *préfecture*. Other actors, such as the social partners, are involved through their membership of the regional *comité d' économique et social* (CES). However, their involvement is clearly secondary to the subnational authorities in the implementation of the Structural Funds.

As the Structural Funds are implemented through the same network as the larger *contrats de plan*, a national policy, the central state has greater scope to establish the rules of the game. Also, through legislation which limits the foreign relations of subnational authorities, for instance with the European Union institutions, the French state is the most powerful actor in two sets of bilateral relations (Commission-DATAR and DATAR-region) rather than being at the centre of a trilateral relationship (Commission-DATAR-region). The European Commission has not, in the implementation of the Objective 2 programmes, attempted to alter this balance, for instance through its power of veto in the *Comités de suivi*. Although the existing partnership may not be ideal, in the eyes of the Commission, it is at least well established. Moreover, considering all the economic development funds going to

French regions, such as Lorraine, and the partnerships which are already in existence, any Commission pressure for change would amount to little more than tinkering at the edges.

The existence of a well established regional policy framework, built on clearly defined centre-periphery relations, and manifest through instruments such as the *contrat de plan*, provides DATAR and the *préfet* with considerable resources in which to block any Commission proposals: for instance in the strategy which underpins the DOCUP. An example is the limited extent to which the Commission was able to shape the Lorraine programme: its role was left to clarifying differences of interpretation. Richard Lagrange, director of DATAR, dismisses the Commission's influence on policy implementation as follows:

> Some of the difficulties stem from the policies and processes advocated by the Commission. One cannot criticise the Commission for seeking to promote certain views: it is required to ensure some coherence at Community level and the Council agrees principles and objectives that should be reflected on the ground, partly through Community funding. Part of the problem lies with the generality of these views, which lead to different interpretations (Lagrange 1997, p. 335).

The implication of this, borne out by Lagrange's further arguments, is that the French regional policy system is more coherent than that of the Commission.

However, despite the work of DATAR, it is clear that the arrangements for the implementation of the Objective 2 programmes are not consistent across the whole of France. This has been highlighted in: Nord-Pas de Calais, where Conzelmann (1995) finds that the regional political elite has effectively mobilised its channels of influence both regionally and nationally to secure favourable outcomes; Bretagne where Smyrl (1997) finds that the regional authority has a strong influence over the way in which the *préfecture* implements policy; and Provence, where (according to Smyrl) the *préfecture* adjudicates between different regional and local authority factions.

Lorraine provides another variant on this picture. Firstly, there was found to be an remarkably high degree of consensus between the *préfecture* and the regional and local authorities. Relationships were stable and there was a high degree of trust between the different policy actors. Although there were seen to be some problems, for instance the field services of the state (such as DRIRE) dominating large segments of policy implementation, this had not been contested by the regional authority. Moreover, the consensus manifested itself in a number of programme (e.g. strategy) and project partnerships. An example of a project partnership was ARDAN, which involved the state's field services, the *préfecture* and the subnational authorities. A second example was found to lie outside the formal Structural Funds partnerships. The departmental economic development agencies (the CAPEs) all collaborated with the state's development agency, APEILOR. Perhaps more significantly, these agencies had, under their own volition, deliberately altered their structures and strategies to develop more collaborative arrangements between themselves and with APEILOR.

Secondly, the programme and project partnerships have not been driven by requirements of the Structural Funds, but by other initiatives and developments. One example is the relationship between the CAPEs and APEILOR. Another, and perhaps more significant example, has been Lorraine's success in capturing inward investment since the beginning of the 1980s (INSEE 1997). It has received far more inward investment than any other French region. The reasons for this do in part lie in the strength of its economic development agencies and the incentives (e.g. the PAT) they can offer inward investors. Moreover, given the types of investors which have been attracted, Lorraine has advantages in its proximity to Germany, its strong labour market for manufacturing workers, and its cost structure vis-à-vis its near neighbours, in Germany and Belgium. Although Lorraine faces severe economic problems in terms of the high proportion of workers in traditional industries, developments such as these, will have had positive spillovers in terms of what its policy actors can do with the Structural Funds.

9.4 OUTCOME: POSITION AT THE BEGINNING OF THE 1997-99 PROGRAMME

The main research for the two case study regions was conducted during 1995. The research on Yorkshire and Humberside was supplemented by additional work conducted during 1997, at the beginning of the new Objective 2 programme. The conclusions reached here reflect this work and therefore do not consider Lorraine. The Lorraine case study showed that the change in relations between different organisations, and the rate of change of economic strategies, was relatively slow. This was underpinned by a relatively stable domestic regional policy framework. This presented the European Commission with few opportunities to influence the direction of economic strategies in individual regions.

The case study of Yorkshire and Humberside showed that regional policy, and the policy networks in place to implement it, had evolved rapidly from the beginning of the 1994-96 Objective 2 programme. The Structural Funds undoubtedly played a significant role in this. However, these trends also need to be placed in the context of a changing United Kingdom agenda for regional policy. The election of a Labour government in May 1997 altered the relations between subnational, national and European Union tiers of government. Whereas prior to 1997 relations could be characterised by strong alliances between local authorities and DG XVI to outflank the Member State over contentious areas, the change of government altered this situation. This shows a limitation of this research. By focusing on the relations between civil servants and officers at different tiers of government, it has excluded the impact national politics will have on policy outcomes.

At the beginning of the 1994-96 programme the policy networks in Yorkshire and Humberside could be characterised as loosely coupled issue networks. Within these, the European Commission and the United Kingdom government monopolised the resources at key stages of the programmes. However, by the end of the programme, and particularly at the start of the 1997-99 programme, policy actors in Yorkshire and Humberside had formed an array of strategic and implementation partnerships. Some were driven by national policy, such as local action plans, others were not, such as the priority groups. Although the European Commission and central government departments had formal representation on these groups, due to their limited number of personnel, their attendance at partnership meetings was sporadic. As such, the European Commission was able to withdraw its active participation in the Objective 2 programme, except for its membership of formal groups, such as the Programme Monitoring Committee.

In the negotiations for the 1994-96 SPD, DG XVI drew heavily from the information resources at its disposal, which had been developed through the use of ex ante evaluations and the selection of a strong negotiating team. The direction taken in these negotiations, that support needed to be increasingly targeted to 'soft' infrastructure development, through business support and technology transfer, was tied to the wider European Union policy agenda which was set by the Delors White Paper *Growth, Competitiveness and Employment*. In 1996, at the outset of new negotiations, DG XVI's position again reflected the wider policy agenda. In particular, successive European Council summits, Essen (CEC 1994g), Madrid (EC 1995d), and Dublin (EC 1996c) had emphasised that job creation should be a priority for European Union policies. However, it was the Madrid Conclusions which referred directly to the Structural Funds. These called for the paramount priority of the Structural Funds to be job creation, although the emphasis on soft infrastructures and SME development made by the Delors White Paper was reiterated. As a result the negotiating position of DG XVI was similar to that in 1994, although there was a much greater focus on job creation.

The policy networks which have developed to implement the Structural Funds between the European Commission (DG XVI and DG V), the Member State and the subnational authorities therefore need to understood in terms of a wider policy context. Although the policy networks can explain many of the outcomes of issues specific to the implementation of the Structural Funds, wider issues continually impinge on these networks. This limits their powers of prediction; although they remain an important tool for the analysis of the implementation of specific policy areas.

9.5 EVALUATING THE FRAMEWORK OF ANALYSIS

The framework of analysis set out how policy networks in a multi-level governance framework allowed policy implementation involving supranational (e.g. the European Commission) and national (e.g. government departments) and subnational authorities to be examined, and asked whether this was more effective than using intergovernmentalist approaches. The framework of analysis posed the question as to whether policy actors alter the operation of regional partnerships by affecting the inter-member distribution of resources to better realise their objectives.

The findings from the case studies support the underlying premise of multi-level governance theorists, that the European Commission is becoming more accessible to the interests of non-central state actors. However, the case studies largely focused on the contrary question, that the European Commission is also increasingly able to shape policy outcomes at subnational levels of governance. In the case of the Structural Funds, the European Commission and government departments were more involved in certain stages of policy implementation than others; in particular the negotiation of Structural Funds programmes. The rationale for this was that the European Commission lacked the organisational resources to be involved in later stages of policy implementation, such as the selection of individual projects.

The actions of DG XVI varied between Member States and between different regions. Evidence from the case studies suggests that it was far more active in developing the strategy in Yorkshire and Humberside than in Lorraine. Moreover, DG XVI had fewer opportunities to alter the pattern of policy implementation in France due to a well established domestic system of regional policy, and as such there was less it could have achieved. DG XVI was able to affect the operation of regional partnerships, but only where these were weak, where they were not supported by strong regional and subregional institutions, and where the member state had a coherent framework of regional policy in place.

Three sets of research questions directed the case studies: what is the variation in European Union Policy implementation between the United Kingdom and France; what are the patterns of resource mobilisation in the implementation of the Structural Funds; and how are regional economic strategies formed?

9.5.1 Variation in European Union Policy Implementation Between the United Kingdom and France

Comparisons between Yorkshire and Humberside, and Lorraine suggest that the existence of a regional tier of government does make a difference to a region's ability to form and implement an economic strategy. The lack of regional institutions prevented Yorkshire and Humberside from forming and implementing an economic strategy. However, the evidence from Lorraine would suggest that it is not the region's capacity to form and implement the strategy *per se*, but rather the wider framework of regional policy within the Member State which affects the content of the strategy; in particular the negotiation of the *contrat de plan* and in general the role of the *préfet de région*. This was certainly the case in Lorraine. Case studies on other regions suggest that political cohesion or otherwise can also be a determining factor. Those regions which have better horizontal (i.e. regional) partnerships tend to have more sophisticated links with their central government and the European Commission.

Findings from Lorraine suggest that although the *Conseil régional* can and does generate revenue from taxes, it is constrained by national law as to what it can fund. In particular, it has only a small budget to spend on economic development. The main beneficiaries from the Structural Funds are the *départements* and the field services of the state. However, using the wider definition of regional government, that of a regional 'policy space', there is sufficient evidence to suggest that Lorraine's policy space has significantly more capacity to form and implement regional economic strategies than Yorkshire and Humberside. As such it not only formed a more coherent economic strategy but also its actors were better able to implement it.

9.5.2. Resource Mobilisation

Resource mobilisation was found to be dependent on the strength and coherence of existing domestic partnerships. Moreover, where domestic regional *horizontal* policy networks were weak, it was found that certain, well resourced actors in *vertical* policy networks were able to influence policy outcomes within the regions. In Yorkshire and Humberside the partnership was fragmented at the beginning of the 1994-96 Objective 2 programme. Such fragmentation would undermine (and did undermine) the effectiveness of the Structural Funds in meeting the outputs established in the Objective 2 programme. However, these divisions also enabled DG XVI to assert its own regional economic strategy on the region. However, subnational policy actors, while not able to offer an alternative, were able to thwart the direction of the programme in the implementation stage (i.e. following negotiation when the project selection procedures were drawn up). This is because the legal resources at the disposal of DG XVI, stemming largely from the Regulations, were mobilised more effectively than in previous programming periods. Over the longer term DG XVI's actions appear to have empowered partner organisations in Yorkshire and Humberside: when the 1997-99 programme was prepared, the partner organisations were more capable of forming their own regional economic strategy. That is, DG XVI had altered the rules of the game between 1994-96 so as to affect future policy outcomes (between 1997-99).

Active negotiation by DG XVI and the policy constraints provided by the process of programming contributed to the strengthening of the regional policy framework in Yorkshire and Humberside for 1997-99. The Objective 2 programme also funnelled individual policy actors towards greater partnership working. It is the outcome of this which probably had the most significant impact on the 1997-99 Objective 2 programme. As a result DG XVI was better able to realise its overarching policy objectives. Moreover, regional partners were more empowered to develop their own economic strategy. Although stemming from the negotiation of the 1994-96 programme, this empowerment was not realised until the end of that programme and the beginning of the 1997-99 programme.

There is considerable empirical evidence of the strong and close relations between the European Commission and subnational authorities. This lends weight to theories of multi-level governance. However, this evidence is largely drawn from the reform of the Structural Funds regulations, the Additionality Dispute and the increasing presence of regional information offices in Brussels. The case studies confirmed that these links do exist but that they do not necessarily have a substantial effect on policy outcomes. The case studies illuminated two different points.

Firstly, in the implementation of the Yorkshire and Humberside programme, the critical phase was the negotiation of the programme and establishment of official partnerships, such as the Programme Monitoring Committee. In the negotiation of the programme, DG XVI did not rely at all on its links with local authorities to shift the direction the funds took. Indeed the changes it proposed did, if anything, reduce the proportion of the funds going to local authorities by introducing other organisations, such as the region's universities and community groups, into the Structural Funds process. Therefore, although the links between the European Commission and subnational authorities might be strong, these need only be activated when the European Commission requires. This also suggests that the more important changes in policy implementation were in *horizontal* and intra-regional partnerships, and not *vertical* and multi-level partnerships.

Secondly, the case study of Lorraine reveals that strong links between national and subnational authorities remain important, and that these can blunt the impact of any position the European Commission may take in the implementation of the Structural Funds. Moreover, the findings from other French regions suggest that the relations between subnational authorities and the *préfet de region* are the precursor to links with the European Union institutions. If relations between subnational partners are poor, then due to the constraints placed on regional authorities developing foreign relations, the inability to gain support from the French state will curb the ambitions of subnational authorities in this policy area. This finding shows how policy networks vary markedly depending on the policy and institutional framework of the member states. However, in common with the United Kingdom, it shows that domestic and *horizontal* partnerships which resemble policy communities can be a prerequisite for effective *vertical* and multi-level partnerships involving the central authorities of the member state and the European Commission.

Evidence from other United Kingdom regions suggests that more thorough and wide ranging economic strategies were developed by those regions which possessed working regional partnerships. In Yorkshire and Humberside, where the partnership was fragmented, the outcome was a poor strategy. As a result DG XVI gave more attention to improving the strategy in Yorkshire and Humberside than in other regions. This shows that DG XVI, within the different national frameworks, prioritised different regions, and also different regeneration themes for different regions. For example Yorkshire and Humberside received funding under other Structural Fund budgets to develop strategies on specific themes. These were funded from Article 10 of the ERDF Regulation which is specifically for pilot or innovative projects. The Article 10 projects supported were for a Regional Innovation Strategy (RIS) and an Information Society strategy (COMPRIS). A condition of funds being awarded was that the projects were implemented by working partnerships and that the results would be used in future regional policies. This suggests that although Yorkshire and Humberside lacked wide ranging partnerships involving an array of organisations, small, tightly-knit partnerships had formed around specific issues, such as research and technological development in the RIS. A strength of the RIS was that it developed partnerships for different economic sectors, and did not develop partnerships solely to draw down Structural Funds.

The Lorraine case study suggests that the quality or otherwise of the links had no bearing at all on the formation of an economic strategy. Lorraine, with a functioning and mature set of regional institutions had developed its own economic strategy. However, the regional economic strategy was driven by a national policy, the *contrat de plan*. The coherence of this national policy constrained innovation in the regions; especially policy innovation which was driven by the Structural Funds.

9.5.3 FORMATION OF REGIONAL ECONOMIC STRATEGIES

Two main research methods were used for the case studies in the thesis. Firstly, in depth (semi-structured) interviews with policy officers involved at different levels of policy implementation were used. Secondly, documentation prepared by the different organisations involved in implementation was collected. Although most of this documentation was in the form of published reports and development strategies (such as SPDs), it was supported by correspondence provided by interviewees. The advantage of this methodology was its flexibility. Questions could not only be tailored to specific interviewees but also could evolve as the body of primary interview material built up. The Yorkshire and Humberside interviews were more extensive (both in number and in the topics discussed) partly because there were fewer constraints on conducting the research, but also because there was less secondary source material on English regions. Conversely, the research on Lorraine was more focused, partly because of resource constraints, but also because of the greater array of secondary source material on French regionalism, decentralisation and economic development.

Policy networks approaches were used to frame the presentation of the research findings. If they had been the focus of the theoretical inquiry then structured interviews would have been used in conjunction with questionnaires to ascertain the relevant resources held by each organisation, the degree of resource mobilisation and the effect of these on policy outcomes. However, the analysis of the case studies has demonstrated that policy networks do offer more than mere descriptive aids. Understanding resource mobilisation and resource dependency explains a substantial part of policy outcomes. In particular it could explain why DG XVI was able to achieve certain policy outcomes in Yorkshire and Humberside (and more broadly across the United Kingdom), while in Lorraine (and in France) no such outcome was possible. Therefore, to the extent that the European Union can be characterised as a multi-level polity, its concomitant patterns of policy implementation do vary across regions; although this pattern is determined largely by factors specific to each individual member state.

The preceding argument is consistent with the multi-level governance theorisation of European Union integration. For its advocates, multi-level governance is not an end point of integration, instead it is a means by which the process of European Union governance can be analysed. This is a fundamental difference to state-centric approaches which hold that the machinery of integration will always remain intergovernmental in the long term. However, more recent intergovernmental theories, which are based on institutionalist approaches, do make some advances in this area. For instance, the newer institutional approaches accept that policy actors are important and that the policy networks they participate in do affect policy outcomes, but that policy networks are channelled by institutional structures.

Using policy networks within a wider multi-level governance framework shaped the research methodology. The focus of the research was on analysing the relations between different tiers of government rather than relations within any particular level. Using a multi-level governance analogy, the emphasis was on using policy networks to examine the cross-cutting spheres of governance, rather relations within particular tiers of government. However, the research found that there were limitations to this approach when the focus is on a specific policy area such as the Structural Funds. That is, many of the networks which were examined and their policy outcomes were in 'low' politics areas. The direction the Structural Funds have taken at a European Union level, and the constraints which are placed on their implementation, were set by actors in institutions outside the partnerships which were examined by this thesis. Although Structural Funds policy networks may have some impact on these wider policies, actors and institutions (often in unforeseen ways), the more significant impacts will go in the opposite direction, with wider policies, actors and institutions having a greater effect on Structural Funds policy networks.

Using a policy networks framework to examine how regional policy actors form and implement economic strategies is useful in a number of respects. Policy networks are good at explaining single or directly linked policy outcomes. Also, when used in conjunction with an analysis of the overall process of European Union integration (provided by the theory of multi-level governance), policy networks are useful in gauging the effectiveness of actors in achieving their policy objectives. However, this approach, as used in this thesis, largely ignores the capacity of organisations and the wider policy and political environment which determines the context (and to some extent the effectiveness) of regional policy.

A future research agenda therefore lies in examining how *prima facie* discrete policy areas (such as the Structural Funds) impact upon each other, both at different tiers of government, but more importantly, across the spheres of governance. Areas identified by this research were Competition and States Aids policies. However, as the European Union embarks on its potentially most far reaching phase of political and economic integration since the Treaty of Rome, fundamental questions around how institutional design and budgetary decisions shape the economic and social cohesion agenda need to addressed.

9.6 What future for a Europe of the Regions?

An aim of this thesis was to examine the mediation between the processes of European Union governance, in the area of cohesion policy, and the drivers behind convergence and regional economic growth. The principle finding was that this link is complex and multi-faceted: that is, it permeates throughout the programming and partnership of the Structural Funds.

This reflects the premise of multi-level governance theorists who focus not on the end point of integration, but on the process of policy making. The central issue for the study of the Structural Funds is therefore whether the process of implementation makes those regions eligible for support more likely to grow relative to non-eligible regions. That is, will the implementation of the Structural Funds contribute to economic cohesion in the European Union?

The literature reviewed in Chapter 1, suggests that the opportunities for the Structural Funds to stimulate growth in the regions are conditional on a number of factors. Firstly, the process of policy implementation shows that that the impact the Structural Funds have on regions - over and above the effect of the fiscal transfer they represent - varies greatly depending on the framework in which the funds are implemented. Paradoxically, they have had a greater effect in Yorkshire and Humberside, which lacked a formal regional policy framework, than in Lorraine, which sits within a well established domestic regional policy framework. This is not to deny that fiscal transfers are not important, just that the principles of programming and partnership extend and multiply the effects of the principles of additionality and concentration.

Secondly, Chapter 1 set out a series of implications for regional policy makers. There is strong evidence that the neo-classical convergence process has stalled in the last 25 years. Although some suggest that this may restart following a period of economic and corporate restructuring, others argue that the foundations for economic convergence have changed. The Structural Funds attempt to address many of the new foundations for regional economic convergence; for instance, through improving the stock of human capital and the capacity of firms to innovate so as to yield regional competitive advantages. The Structural Funds also attempt to provide the catalyst to shift the functioning of regional economies and regional policy institutions. However, it is unclear whether the Structural Funds are capable of creating the conditions required for endogenous growth across the European Union which will lead to a reduction in the level of disparities between regions. Moreover, patterns of corporate location and the structures of multi-regional firms would caution against the capacity of the Structural Funds to replicate the conditions required for endogenous growth across the European Union. Many of the disparities between the regions are too entrenched. Other policy instruments may be required. For instance, the restructuring of competition policy or the development of trans-regional initiatives.

Finally, the evolution of the Structural Funds suggests that their focus is increasingly concerned with managing economic disparities in a European Union in which convergence and divergence are occurring simultaneously. Furthermore, the potential for substantial economic growth in lagging and industrially declining regions is limited under the current neo-liberal framework. Although some regions will grow, others will continue to stagnate or decline even further. At the same time, the core regions, and a select group of others, will retain or strengthen their position.

9.7 CONCLUSION

Politically and economically the role of regions has become more significant both in terms of an emerging regional policy space and as territory becomes a more important determinant of economic activity. This thesis has shown that, through the implementation of the Structural Funds, the European Commission has attempted to enhance both the political and economic capacity of regions. However, the European Commission's search for cohesion varies across the European Union, depending on the respective administrative structures and systems of governance in each member state. This may magnify or reduce the impact the implementation of the Structural Funds make on stimulating cohesion. However, the process by which the Structural Funds are implemented is sufficiently fluid to enable policy actors in the European Commission to attempt to maximise the extent to which any impacts are magnified.

As with developments in debates over a Europe of the Regions, the evolution of the Structural Funds is relatively fast and tends to be driven by wider policy agendas. In the immediate future, enlargement and monetary union will together bring new sets of challenges for supranational institutions, member states and the regions. These challenges will drive the direction the Structural Funds take, and in the medium term shift the focus of the European Union's resources away from the lagging and industrially declining regions of the current EU 15. Without the same volume of support, the intensity of these regions' relations with the European Commission will reduce while the relative importance of links with the regions' own member states will increase. However, the process of European Union integration, and the implementation of the Structural Funds in particular, is likely to have had a lasting effect on regional political mobilisation. Although the executives of the member states will remain the starting point for any explanations of future political integration, it is apparent that regions have discovered a new role for themselves both in their relations with the European Commission, but also with other regions in the European Union. A Europe of the Regions will therefore remain an important slogan which describes the continued search by many poorer regions for cohesion within the European Union.

NOTES

[1] *Ingénieur de politique régional* was the term Eneko Landaburu (Director General of DG XVI) used to describe the work of the desk officers in the geographic units of DG XVI. Interviews in 1997 suggest that, as DG XVI prepare for the reform of the Structural Funds and their future targeting to the new Member States of eastern Europe, that DG XVI's role towards the Objective 2 - type regions will revert to one of 'policeman and watchdog'.

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APPENDIX 1

RESEARCH CONDUCTED

Work for this thesis began in October 1993 under the broad aim to investigate different approaches to a Europe of the Regions contained across economic, political and juridical literature. From January to June 1994 the work focused principally on the construction of a typology of economic development in the regions of the European Union. This was guided by developments in a range of literature, in part those in support of an economic Europe of the Regions, but more generally, by the argument that technological change/changes in the organisation of production were creating new patterns of economic activity which had implications for policies aimed at the reduction of regional disparities in the European Union. Data to test and support these assertions was gathered at the same time and various sets of statistics were collected from the statistical offices of the European Commission (EUROSTAT), the United Kingdom (CSO, now the ONS) and France (INSEE). From June until November 1994 further work was conducted on different typologies of regional economic development, but increasingly focused on explaining the processes which lay behind the emerging economic geography of the European Union. This work forms the section 1.3 in Chapter 1.

In November 1994 research turned towards the policy study of the European Union Structural Funds. As this research began, the negotiation of the 1994-1996 Objective 2 programmes was in its final few weeks (they were signed by the European Commissioner for Regional Policy in December). The Structural Funds were therefore at the forefront of debate in the regions, central government departments and the European Commission alike. This created a challenge for the research framework which was used, as it had to capture a rapidly evolving policy area.

The first stage of the United Kingdom based research was to chronicle the negotiations which led to the agreement of an Objective Two programme in Yorkshire and Humberside. Most of the research for this study was conducted between November 1994 and June 1995. A summary of this is presented here, although more details, as to the interviews conducted and documentary material collected, are given in the bibliography (Documents) and in appendix 2 (Interviews):

- The collection and analysis of documentation prepared for the submission of the SPD. This included *inter alia*: drafts of the Single Programming Document (from Yorkshire and Humberside, but also other regions); documents which the SPD drew upon for its analysis; the economic strategies of local authorities and TECs in the region; and correspondence between the regional partners, the government departments and the European Commission;

- Interviews with Officers from organisations involved in the SPD's drafting and negotiation;

- Interviews with European Commission and central government staff involved in the negotiation of the SPD;

- Interviews with individuals and representatives indirectly related to the preparation of the SPD, but with an interest in the development of regional economic strategies. These included representatives of pan-regional associations;[1]

- Supporting interviews were conducted with local MEPs, the local authority associations, and the Yorkshire and Humberside European Office in Brussels.

Interview questions were refined as more research was conducted.[2] Much of this work was subsequently published as a working paper, *Yorkshire & Humberside and the European Structural Funds*. This publication highlighted a number of further research questions to ask those involved in the Objective 2 programme negotiations. These interviews coupled to background research in the region were conducted from

March until May 1995. The initial results from these interviews served as the basis for the next stage of the research, in Brussels, in June 1994.

Although the research in Brussels focused on interviews with desk officers in the European Commission Directorate General for Regional Policy and Cohesion (DG XVI), it also provided the opportunity to meet a number of other groups with regional policy interests: in particular with the representatives of a number of United Kingdom, French and German information offices/regional offices/Länder delegations and other regional interest groups associations. The research in Brussels provided the first opportunity to gather background material for the case study of Lorraine, and to develop an overview of the operation of the Objective 2 programme in this region.

Based on the strategy employed in Yorkshire and Humberside, interviews were conducted in Lorraine and Paris during early July. They focused on representatives of those organisations directly involved with the Objective 2 negotiations, in particular, from the *préfecture de région*, *conseil régional*, *conseils généraux* and from DATAR in Paris. However, to situate the different policy and institutional contexts in which regional policy in France operates, subsidiary interviews were conducted with representatives from a range of economic development agencies. A summary of this is presented here, although more details, as to the interviews conducted and the documentary material gathered, are given in the bibliography (Documents) and in appendix 3 (Interviews):

- The collection and analysis of documentation prepared for the submission of the *Documents Unique de Programmation* (DOCUP - the equivalent to the SPD in Yorkshire and Humberside). This was less extensive than in Yorkshire and Humberside, partly because much of the strategy development work which had been done for the previous Operational Programmes and the Contrat de Plan. The research therefore focused on these documents.

- In depth interviews with policy officials involved directly with the Objective 2 funds for Lorraine. These included the *Chargés de Mission aux Affaires Économiques* of the *Conseil régional* for Lorraine and the *Conseils généraux* of the Moselle and Meurthe-et-Moselle departments,[3] and a *Chargé de Mission, Services d'Etudes du Secrétariat Général pour les Affaires Régionales (SGAR), Préfecture de Région Lorraine.*

- In depth interviews were also conducted with policy officials in Paris and Brussels. These included a *Chargée de Mission* of DATAR (*Délégation à l'Aménagement du Territoire et à l'Action Régionale*), Paris and the *rapporteur* (desk officer) for Lorraine in DG XVI of the European Commission, Brussels. Although others were involved with the delivery of the funds to Lorraine both of these had been involved in the drafting and subsequent negotiation of the DOCUP. These interviews were substantiated by interviews with a *Chargé de Mission, Bureau de la DATAR, Représentation permenente de la France auprés de l'Union européenne* and with the *Directeur, Délégation de la Lorraine* (both in Brussels), each of whom had both an information and consultative role for their respective offices during the preparation of the DOCUP.

- Further background research was conducted with a number of economic development agencies in Lorraine. This focused on the CAPEs (*Comité d'Aménagement de Promotion et d'Expansion*) of the Moselle, Meurthe-et-Moselle and Vosges departments[4] and APEILOR (*Association Pour l'Expansion Industrielle de la Lorraine*) which is the Lorraine subsidiary of the Invest in France Bureau, itself a subsidiary of DATAR. These provided substantial background material and an array of both publicity documentation and analyses of Lorraine's economic and business support services.

- Official analyses of the Lorraine economy were provided in various publications by INSEE's (*Institut National de la Statistique et des Études Économiques*) offices in Nancy and Paris. In the study of the economic strategy contained in the DOCUP it is this material which is cited.

The primary field work in Lorraine did not attempt to be an in depth study of regional economic development policies and institutions in Lorraine. This was not the aim of the study, which was instead to examine one policy area (namely the implementation of the Objective 2 funds) in the region. However, during the course of the field work, documentation from other economic development agencies and the state's field services in the region was gathered. This has been cited where these organisations have commented on the Structural Funds or have tried to influence the content of the DOCUP. Additional interviews were conducted in Brussels and Lorraine during September 1995 and with London-based policy officials in February 1996.

From March to July 1996, I was a European Commission administrative trainee/*stagiaire* with the United Kingdom Unit of the Directorate General for Regional Policies. Although I was working on projects outside the main remit of this thesis, this gave me a unique insight into the implementation of the Structural Funds by the European Commission.[5] This is shown in the United Kingdom case study material which would have been less developed without this experience. Finally, for most of 1997 I was involved in the research and writing of two projects. The first, commissioned by the Government Office for Yorkshire and the Humber was a Programme Wide Appraisal of the Yorkshire and the Humber Objective 2 strategy and its implementation. The second, for the European Commission, was an investigation into the operation of grant rates from the European Regional Development Fund. The findings from both studies are being published in 1998.

NOTES

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[1]These included *inter alia*: Yorkshire and Humberside Partnership; Yorkshire and Humberside TUC; Yorkshire and Humberside Association of Chambers of Commerce; Yorkshire and Humberside Regional Association (and its Yorkshire and Humberside European Office in Brussels). The regional office of the CBI were approached for an interview but declined.

[2]Between March and July 1996, I was employed in the UK unit of the European Commission Directorate-General for Regional Policies and Cohesion (DG XVI). This has augmented many of the conclusions I have been able to draw. However, for reasons of confidentiality, the only material gathered during this period and which is cited, is already in the public domain.

[3]Lorraine consists of four *départements*: Moselle, Meurthe-et-Moselle, Vosges and Meuse. Of these only the Meuse is ineligible for Objective 2 funds, although the entire department is eligible for Objective 5b funds. A representative from the Vosges department was unavailable when the fieldwork was being conducted. However, the author did interview a representative of CAPEV who had been involved with forming the *Conseil général* position on European Union Structural Funds.

[4] The CAPEs in their current form receive the majority of their funding from their respective *conseil général.*

[5]During the traineeship I worked on three distinct areas. The first was the drafting of a terms of reference and subsequent letting for a tender of a study into ERDF Grant Rates and Revenue-Generating Investments. The second was a desk based project investigating the scoring and selection of projects on Structural Fund programmes in the United Kingdom, focusing on the procedural and administrative components of this process. The third was the redrafting of an external study into Community Economic Development in Structural Fund Programmes. The final version of this study was published by DG XVI in September 1996 as *Economic and Social Inclusion through European Regional Development. The Community Economic Development Priority in Great Britain Structural Fund Programmes* (CEC 1996b).

APPENDIX 2

YORKSHIRE AND HUMBERSIDE: INTERVIEWS

With policy officers and politicians involved in the delivery and management of the Structural Funds in the United Kingdom. February 1995 - January 1996. Chronological Order

Phillip Nuttal, European Funds Officer, *Sheffield City Council*, 16th February, 1995.

Steve Boyes, European Funds Manager, *Doncaster Metropolitan Borough Council*, Doncaster. 24th March, 1995.

Keith Dodson, European Funds Secondee, *Government Office for Yorkshire and Humberside*, Sheffield. 5th April, 1995.

Jane Price, European Funds Manager, *Humberside County Council*, Hull. 5th April, 1995.

Melanie Walker, European Funds Officer, *Hull City Council*, Hull. 5th April, 1995.

John Ladley, European Liaison Officer, *Wakefield Metropolitan District Council*, Wakefield. 17th April 1995.

Ursula Edmunds, Senior European Officer, *Sheffield Training and Enterprise Council*, Sheffield. 1st May 1995.

Paul Slaney, Administrator, *Sheffield Regional Technopole*, Sheffield. 5th May, 1995.

Jean Bickerstaff, European Funds Officer, *Rotherham Metropolitan Borough Council*, Rotherham. 5th May, 1995.

Derek Stoppard, European Funds Officer, *Barnsley Metropolitan Borough Council*, Barnsley. 9th May, 1995.

Dave Moss, European Funds Officer, *Bradford Training and Enterprise Council*, Bradford. 10th May, 1995.

Peter Redfern, European Funds Manager, *Bradford Training and Enterprise Council*, Bradford. 10th May, 1995.

Tony Haines, Director, *Yorkshire and Humberside Partnership*, Leeds. 12th May, 1995.

Julia Paddison, Marketing Manager, *Yorkshire and Humberside Development Agency*, Leeds. 12th May, 1995.

Margaret Jackson, European Funds Manager, *Government Office for Yorkshire and Humberside*, Leeds. 17th May, 1995.

Bob Coursey, Economic Development Officer, *Leeds City Council*, Leeds. 17th May, 1995.

Ian Kelly, Policy Officer, *Yorkshire and Humberside Chambers of Commerce*, Sheffield. 18th May, 1995.

Peter Crampton, *MEP for Humberside*, Hull. 22nd May, 1995.

Paul Jagger, Secretary, *Regional Trade Union Congress*, Sheffield. 24th May, 1995.

Paul Wardle, Policy Officer, *Yorkshire and Humberside Regional Association (YHRA)*, Barnsley. 31st May, 1995.

Christian Saublens, Director, *EURADA*, Brussels. 12th June, 1995.

Françoise Villette, Assistant, *Committee of the Regions*, Brussels. 13th June, 1995.

Phillip Simcock, Director, *Yorkshire and Humberside European Office*, Brussels. 14th June, 1995.

Peter Ramsden, Desk Officer for Yorkshire and Humberside, *Directorate General for Regional Policies*, European Commission, Brussels. 14th June, 1995.

Winnie Petersen, Civil Servant, *Committee of the Regions*, Brussels. 13th June, 1995.

Richard Witt, European Manager, *Local Government International Bureau*, Brussels. 15th June, 1995.

Pat Collins, European Funds Manager, *Department of the Environment*, London. 2nd February, 1996.

Andrew Bayer, European Funds Manager, *Department of Trade and Industry*, 2nd February, 1996.

Tony Blake, Policy Officer, *Local Government International Bureau*, London. 2nd February, 1996.

Ian Thomas, Policy Officer, *Association of Metropolitan Authorities*, London. 2nd February, 1996.

Peter Berkowitz, Desk Officer for Yorkshire and Humberside, *Directorate General for Regional Policies*, European Commission, Brussels. 15th May, 1997.

Isobel Mills, European Funds Manager, *Government Office for Yorkshire and the Humber*, Leeds. 27th September, 1997.

APPENDIX 3

LORRAINE: INTERVIEWS

With policy officers and politicians involved in the delivery and management of the Structural Funds in France. June, July and September 1995. Chronological Order

Patrick Courtin, Directeur, *Délégation de la Lorraine*, Bruxelles. 7th June, 1995.

Eric de Borchgrave, Directeur, *ERAI* (Enterprise Rhône-Alpes International), Délégation Genérale de la Région Rhône-Alpes, Bruxelles. 13th June, 1995.

Sabine Plainfossé, Rapporteur for Lorraine, Rhône-Alpes *et al.*, *Directorate General for Regional Policies*, European Commission, Brussels. 14th June, 1995.

Martine Lévy, Chargé de Mission, *DATAR*, Paris. 7th July, 1995.

Olivier Gille, Chargé de Mission aux Affaires Economiques, Responsable de la Délégation Europe, *Conseil Général de Moselle*, Metz, Département de Moselle. 10th July, 1995.

Philippe Greiner, Chargé de Mission, Études Financières et Ingénierie Européenne, Direction Générale, *Conseil Régional Lorraine*, Metz. 10th July, 1995.

Thiéry Vincent, Directeur des Projets, *CAPEV* (Comité d'Aménagement de Promotion et d'Expansion de Vosges), Epinal. 11th July, 1995.

Jacqueline Evans, Adjointe de Projet, *CAPEMM* (Comité d'Aménagement de Promotion et d'Expansion de Meurthe-et-Moselle), Nancy. 12th July, 1995.

Pierre Janot, Directeur des Projets, *CAPEMM* (Comité d'Aménagement de Promotion et d'Expansion de Meurthe-et-Moselle), Nancy. 12th July, 1995.

Nicholas Feidt, Chargé de Mission, *APEILOR* (Association Pour l'Expansion Industrielle de la Lorraine), Metz. 12th July, 1995.

Martine Poirot, Chargé de Mission aux Affaires Économiques, Responsable de la Délégation Europe, *Conseil Général de Meurthe-et-Moselle*, Nancy. 13th June, 1995.

Nicolas Regrigny, Directeur des Projets, *CAPEMM* (Comité d'Aménagement de Promotion et d'Expansion de Meurthe-et-Moselle), Nancy. 13th July, 1995.

Thiéry Petry, Directeur des Projets, *CAPEM* (Comité d'Aménagement de Promotion et d'Expansion de Moselle), Metz. 28th September, 1995.

Robert Kocian, Chargé de Mission, Services d'Etudes du Secrétariat Général pour les Affaires Régionales (SGAR), *Préfecture de Région Lorraine*, Metz, Lorraine. 28th September, 1995.

Fernand Burn, Chargé de Mission, *Bureau de la DATAR*, Représentation permenente de la France auprés de l'Union européenne. 29th Septemeber, 1995.

APPENDIX 4

DG XVI's *Draft Summary for Response and Discussion* suggested that 'the plan would benefit from a sharper focus on a number of questions' (CEC 1994e, p. 8):

- how can jobs be attracted into the coal field communities, and how can the people in the coal field communities access jobs outside their immediate localities?
- how can people from the most disadvantaged parts of the urban areas access new opportunities?
- how can the region's poor performance in inward investment be improved?
- how can the traditional industries of the region be helped to survive and diversify?
- how can new technology based industries be encouraged?
- what potential is there in particular sector or technologies? Examples include material technologies in South Yorkshire and the food industry in Humberside.
- how can strategic economic links with other regions in the European Union be animated?

APPENDIX 5

DG XVI's *Draft Summary for Response and Discussion* proposed the following 'Priorities and Measures' (CEC 1994e, pp. 15-20):

Priority 1	**Action to support SMEs**
Measure 1	Yorkshire and Humberside venture capital funds
Measure 2	Advice services for SMEs
Measure 3	Business premises for small companies
Measure 4	Training for business needs
Priority 2	**Action to strengthen and diversify companies in traditional sectors**
Measure 5	Help with marketing, licensing, design, strategic partnering and export activities
Measure 6	Encouragement of spin out companies
Measure 7	Supply chain links
Measure 8	Clean and lean technologies: environmental audits and process development
Measure 9	Training for new ways of working
Priority 3	**Action to strengthen the knowledge based industries and for advanced technology development**
Measure 10	Grants to SMEs for innovation, product and process development
Measure 11	Regional technology strategy, strengthening industry - academia links, support for technopoles (activity clusters of SMEs and research centres based around generic technologies), increasing the level of technology transfer and graduate placement and raising the level of participation in National and European research programmes
Measure 12	High technology training for employees and technology management training for manager, training in information communications technology
Measure 13	Support for advanced telematics: help for SMEs to increase utilisation of advanced networks and information services
Priority 4	**Action to attract new industry and services**
Measure 14	Sites for industry: land reclamation, site development
Measure 15	Gateways for industry
Measure 16	Human resources for new employers: specific training and recruitment packages for service industries
Priority 5	**Action to develop the tourism and cultural industries**
Measure 17	Increasing the utilisation of facilities and upgrading facilities
Measure 18	Selected town centre improvements
Measure 19	Support for cultural industries
Measure 20	Training for quality in tourism and cultural industries
Priority 6	**Targeted action: action in the coal fields and action in areas of urban deprivation**
Measure 20	Support for local training strategies including pre-vocational training, guidance and counselling, customised training, outreach, work placement, employment subsidies, and childcare
Measure 21	Support for small scale community based economic projects
Measure 22	Targeted environmental improvements
Measure 23	Access to work: improvements to the public transport system for people in deprived areas

APPENDIX 6

DXVI's *Draft Summary for Response and Discussion* proposed the following 'Standard SPD Structure for Objective 2 Regions' (CEC 1994e, p. 22):

Chapter 1 Regional Development Context and Analysis

1.1 Social and economic characteristics of the area
1.2 Strengths and weaknesses of the area
1.3 Appraisal of the environment situation of the area
1.4 Assessment of past intervention in the area (ex-post evaluation)
1.5 Relevant economic and social policy intervention in the area (consistency with SPD)
1.6 Commission's appreciation of the plan submitted by the Member State

Chapter 2 Regional Re conversion Strategy, Priorities and Measures

2.1 Global Objective and regional re conversion strategy
2.2 Priorities and corresponding objectives
2.3 Appraisal of the expected impact including with regard to employment (ex-ante appraisal
2.4 Measures

Chapter 3 Financial plans and first assessment of additionality

3.1 Financial plans
3.2 Maximum rates of assistance
3.3 Initial assessment of additionality 1994-1996

Chapter 4 Administration and Conditions of Implementation

4.1 Monitoring, appraisal and evaluations
4.2 Additionality and financial management
4.3 Community policies
4.4 Technical assistance
4.5 Information and publicity