

Chapter five: The new arrangements for the treatment of ERDF  
receipts in the UK

## 5.1 Details of the new arrangements emerge

Following the February 1992 agreement between the UK government and the Commission, the government informed local authorities that no detail would be provided until after a general election had taken place. Shortly after the general election, in April 1992, it became clear to local authorities that the agreement on additionality did not extend beyond the exchange of brief letters between the government and the Commission.

When the CCC requested a meeting to explore the thinking of ministers on the likely new arrangements they were told "it is not possible to provide further clarification as new ministers may wish to consider the changes that are to be made" (Coalfield Communities Campaign 1992c, p2). CCC remained cautious over the value of the agreement between the government and the Commission. It suggested that: "the lack of detail in the new arrangements and the apparent concern of civil servants to consult new ministers suggests that there is still a lot to play for" (Coalfield Communities Campaign 1992c, p2).

As Peter Lilley had indicated in his Commons statement of February 1992 that there would not be an increase in overall government spending as a result of the new arrangements, local authorities suspected that the deal when it finally

emerged would consist of some extended form of top-slicing. While this was thought likely to benefit some authorities, a general top-slicing prompted particular fears for councils in Scotland and Wales where there was a higher proportion of ERDF-recipient authorities and thus less scope for redistribution of existing spending capacity. Consequently, it was suggested that "most Scottish and Welsh authorities are unlikely to benefit from the new arrangement" (Coalfield Communities Campaign 1992c, p2).

On June 30, 1992, a letter was sent out to local authority chief executives in England detailing the transitional arrangements for RECHAR for 1992-93, prior to new 'permanent' arrangements being detailed for the period after 1993. The letter stated that for capital expenditure under the OSB:

"special arrangements will be made to ensure that public expenditure cover commensurate to ERDF aid received under the EC RECHAR programme will be made available to the relevant spending authorities. It has also been agreed that as flexible a view as possible will be taken of any other cases in 1992-93 where cover is shown to be insufficient" (Richardson 1992, p2).

The letter proposed that Supplementary Credit Approvals (SCAs) would be issued to councils to provide the extra spending 'cover': in effect, permission to spend more in anticipation of ERDF grants. This cover allowed councils to borrow in anticipation of ERDF receipts, then repay the borrowing when ERDF grants were paid by the Commission.

However, in 1992-93, only for RECHAR would this extra spending capacity be equal to 100% of the grant anticipated. For other Community Initiatives, SCAs for 1992-92 would be equal to 75% of ERDF grants anticipated; and for ERDF from other programmes, spending capacity would increase by only 25%.

## 5.2 Initial responses to the new arrangements

### **Local authorities**

Despite changes to the provision of spending 'cover' for authorities receiving ERDF, problems soon emerged. The most obvious problem was that for the 'transitional' year, the new arrangements were more favourable to RECHAR grants than others. There was concern that if 100% SCAs were not provided for grants from other ERDF programmes in subsequent years, this would be a breach of the agreement. Yet this was not the only problem with the new arrangements.

Shortly after the government released details of the new arrangements, one local authority wrote to the DoE claiming the government had reneged on the deal with the Commission on three counts. First, SCAs were only to be provided for ERDF grants which were to be spent on projects covered by the OSB category of expenditure. Thus if an authority wanted to develop a transport related project, for example,

there would be no additional spending capacity provided: there would be no additionality. Second, the arrangements provided councils with no extra facility for raising the necessary matching funds to qualify for ERDF grants. Thus if a council had a low ACG, and consequently low BCAs, but qualified for a large amount of ERDF, it would probably have difficulty matching the ERDF funds (Southam 1992, p1). Third, it was argued that the arrangements took no account of the loan charges and other revenue costs of receiving ERDF: to compensate for these extra costs the government should increase commensurately the Revenue Support Grant (RSG) given to ERDF authorities.

Local authority reservations about the new arrangements were compounded by the suspicion that the 'additional' cover provided for ERDF in the form of SCAs was not in fact additional but had been taken from councils BCAs, particularly from the OSB. AMA Chairman, Cllr Jeremy Beecham, said in a letter to Environment Secretary Michael Howard that,

"Cutting the other services block would allow you to issue SCAs to make it appear that EC capital grants are additional while keeping within a predetermined level of expenditure. Genuine additionality would therefore not be achieved" (Local Government Chronicle 1992b, p3).

Cllr Beecham also stated that if, in the final analysis, this was happening, the AMA would consider taking the matter up with the Commission once again.

### **The European Commission**

An internal document produced by a senior Commission official shortly after the government's transitional arrangements came into effect, pointed out the shortcomings of the new arrangements if carried forward as the definitive arrangements for 1993-4 and beyond.

First, it was suggested that the administrative structure of the system was 'rigid, complex and bureaucratic'. The system was complex because it required spending from several government departments, and within those departments, across several spending blocks. It was suggested that estimates would therefore be required for all the different categories of expenditure which might be supported by ERDF, in advance of the decisions made by the regional programme committees. This was likely to lead to "the emergence of quotas for each type of sponsor... (and) there is a risk that projects will be decided with an eye to who is carrying them out, rather than on the quality of the project itself" (Commission Internal Document 1992, p1).

The second criticism of the transitional arrangements was that cover for ERDF grants was provided retrospectively. This meant that local authorities, at least initially, had to find resources to fund the total cost of a project. Not only will did this mean uncertainty, delays and additional

costs but also meant that the retrospective cover provided could be spent in the following year on any activities in the OSB, whether or not they would qualify for ERDF grant.

Third, it was argued that the new arrangements tended to favour richer local authorities and penalise those with funding difficulties. The reimbursement principle meant that only those authorities with sufficient resources available would be able to plan their ERDF projects in advance with any degree of security. *There were also* possible problems for authorities who were near their poll tax capping ceilings: this meant that even if a council had sufficient resources to attract ERDF grant, its expenditure might be capped at a level which would prevent this.

The fourth criticism of the new arrangements was that the cover for ERDF grants was not comprehensive, particularly because the extra cover was only made available for schemes falling under the OSB category of local government expenditure. Major items not covered by SCAs were transport-related schemes and Urban Programme receipts, which had been an important source of matching funding for a number of large authorities including Manchester, Birmingham and Bradford. As things stood, using transport grants or Urban Programme in combination with ERDF was said to confer 'almost no benefit for authorities'.

Fifth, was the criticism that authorities did not have the resources to put forward projects for ERDF assistance. It was noted that:

"although matching funding is not itself explicitly covered by the terms of the February agreement, it risks being the most serious problem in the 1992-93 phase... the government appears to have made cuts of well over £200 million in the various programmes which our partners use to provide matching funding against which to bid for ERDF" (Commission Internal Document 1992, p3).

In its financial statement of Autumn 1992, the government had announced a number of measures which would increase the difficulties councils faced in providing matching funds. These included cuts in the Urban Programme of over £140 million and reductions in OSB approvals by over £30 million. The provision of £130 million under the government's new 'City Challenge' scheme had already been agreed and was therefore not new spending power, and it was unclear at the time whether the DoE would let councils combine this with ERDF to maximise benefit from Community funds. It was suggested therefore, that,

"these cuts will make it very difficult for all the programmes in the UK to take up all the resources allocated to them... They also increase the feeling amongst local authorities and other partners that additional cover for ERDF has in fact been paid for by top-slicing the programmes most directly related to ERDF expenditure" (Commission Internal Document 1992, p4).

The internal report noted that in the UK £1 billion in European grants and £1.5 billion in matching funds still remained to be spent and all had to be committed on



contracts to be let by 31 December 1992, or would be lost to the UK. The report concluded that local authorities were not to blame for this problem:

"The problem comes from Whitehall: civil servants in London have caused a delay in setting up the new arrangements for ERDF; they have imposed a complex and bureaucratic system; they are interfering in the regional programmes by insisting on vetting certain projects in London; and they are not making match funding available to draw down the ERDF grants"  
(Commission Internal Document 1992, p6).

In short, this first 'unofficial' response to the new arrangements from the Commission dovetailed with that of many in local government. The new arrangements appeared administratively complex and there was general anticipation that local authorities would still face problems spending ERDF additionally. The possibility of increased problems raising matching funds stood out as the single most important problem.

### 5.3 Pressure for renewed Commission action on additionality

When, in August 1992, the DoE informed English authorities to assume that their individual Annual Capital Guideline for 'Other Services' in 1993-94 would not be more than 25% of that announced for 1992-93 (Gibson 1992, p1), local authority fears about the source of the additional SCAs appeared to have been confirmed. By September, there were reports that Commissioner Millan was set to become active on

the additionality issue once again as the full implications for councils of the new arrangements became clear. In September 1992 there was a call from some British MEPs that Mr Millan should retrieve EC funds from the Treasury totalling almost £1 billion (Northern Echo, 03.09.92).

In October 1992, Cllr Beecham wrote to Commissioner Millan regarding the inadequacy of the new arrangements and the difficulties local authorities were experiencing. He stated:

"The problem many authorities are facing is finding the resource cover for the local authority 'matching' element... The response we have received from authorities to the 1992-93 transitional arrangements suggests that the problem will worsen next year" (Beecham 1992, p1).

Cllr Beecham argued that councils often had to find matching funding either from 'Other Services' BCAs which were 'wholly inadequate' or 'borrow' credit approvals from the main service blocks such as Transport or Education. This latter option was politically untenable in most authorities and was not permissible for shire districts. Cllr Beecham concluded his letter to Commissioner Millan by stating:

"In my view the Government has gone only part way to recognising additionality for ERDF schemes. The present arrangements require authorities to displace other programmes for ERDF projects to proceed. I would welcome any assistance you could give in trying to persuade the Government to move on this issue" (Beecham 1992, p2).

The Scottish local authority association COSLA expressed similar concerns to the Scottish office:

"the new arrangements will merely involve a redistribution of capital consents from an already inadequate pre-determined total of consents minus a top-slicing for anticipated ERDF grants" (COSLA 1992, p4).

The CCC suggested that,

"these inadequate arrangements are sure to result in ERDF spending being diverted from local authorities, especially to government agencies that will often treat the grants not as additional but as a refund for existing UK government spending. Likewise, projects will not be selected on merit but on the basis of the capital cover available to an organisation. All this threatens to make a mockery of the arrangements intended to provide additionality" (Salt 1992, p2).

#### **The possibility of more public confrontation on additionality**

The government announcement that from 1993-94, SCAs would be equal to 100% of the ERDF grant element for all projects covered by the DoE did not quell the complaints of local authorities. This would require further top-slicing and did not address the matching funding problem and could exacerbate it by reducing the BCAs available for that purpose. Further, this still did not address the lack of cover for ERDF schemes that did not fall under the OSB category of council spending.

As local authorities passed on their views to the Commission, both individually and through their various

national and sectoral associations, the likelihood of a further public confrontation between the Commission and the UK government over additionality increased. By February 1993, the issue had again made front page headlines when Commissioner Millan wrote to the UK Government requesting a meeting in response to the complaints he had received from local authorities. One senior Commission official said at the time that although there had been a 'slight improvement' in the government's treatment of ERDF receipts since the February 1992 agreement, the changes appeared insufficient:

"we are getting too many complaints that they are not releasing the money... we are reaching the point where we have to react; they are making fools of us"  
(Financial Times 24.02.93., p1).

Again, the threat that the UK might lose hundreds of millions of pounds in Community aid hung over the dispute. As a Commission official stated at the time, there was "concern that the UK is not going to be able to take up the (EC) money and that they will lose it at the end of the year" (Financial Times 24.02.93., p1). Commissioner Millan was quoted as saying:

"If they don't want to lose the money then they will have to do something about it... (EC funds) cannot just go into the Treasury pot" (Financial Times 25.02.93., p6).

At the time, a total of ECU 1.23 billion in Community funds destined for the UK was outstanding. Yet the re-emergence of the additionality issue was given even greater importance by the announcement that two more areas of the UK,

Merseyside and the Highlands and Islands, would join Northern Ireland as recipients of Objective One funding. This would boost significantly the UK's structural fund receipts and thus the potential amount jeopardised by a further dispute with the Commission.

#### **Local authority activity**

At a meeting in Barnsley of the "Additionality Working Group" in April 1993, the impact of the new arrangements was discussed. The working group had been set up by the CCC and consisted mainly of European officers from a broad spread of ERDF-recipient authorities. The consensus of the meeting was that although central government had not strictly speaking guaranteed local authorities the matching funds necessary for ERDF grants, it had undertaken to ensure additionality. Thus, by making it more difficult, and in some cases impossible for councils to provide matching funds, the government appeared to be contravening the spirit of the agreement reached with the Commission in February 1992. Moreover, it was claimed that there were grounds for the Commission to challenge the government once again:

"Because of matching funding problems, projects are not being selected on their merits but on the availability of matching funds. Consequently, agencies are being chosen not on the basis of who is best equipped to develop projects but on who can provide the matching funding. This is a legitimate concern for the Commission" (CCC official, April 1993).

Although the Commission had no brief to promote arbitrarily the interests of one type of agency over another it was responsible for ensuring that ERDF was spent in the most effective way possible. The problem of inadequate matching funds was allegedly presenting an obstacle in the way of many local authorities from competing on an equal basis, in some instances with each other, but increasingly with other agencies. This meant that funding did not necessarily always go to the body most capable of spending it in the way required by Commission regulations but to the agency with sufficient matching funds to put projects forward. It was agreed by the meeting that the CCC should organise a one-day conference on additionality to highlight the problems faced under the new arrangements.

Prior to the planned conference, the CCC convened another meeting of RECHAR recipient authorities in Barnsley to exchange information on RECHAR specifically. Present at this meeting was a senior Commission official. The Commission official stated that only 10% of the UK RECHAR grants had been spent with only eight months of the programme to run. Under normal circumstances, the Commission would expect this figure to be about two-thirds. The official suggested four reasons for this problem:

1. The delay in the publication of the rules. This meant that programme secretaries did not know which types of expenditure would receive credit approval.

2. The problem of cover. It was still not clear whether there would be 100% cover on certain types of expenditure or how cover would be provided.

3. The lack of matching funds. Although this problem affected some authorities more than others, the credit approvals of many authorities were not high enough for them to take full advantage of ERDF funds available.

4. The problem of eligibility. RECHAR included some innovatory projects (such as vocational training) which were being blocked by the UK government. Clarification on these was needed. (Source: Commission official, May 1993).

Reports from local authorities provided a varied pattern. For example, a representative from the TAWSEN area programme (north east of England) reported that he fully expected that its share of RECHAR would be fully spent and there was no concern that the money would not be taken up. A similar response was given by a representative from the East Midlands programme area. In South Yorkshire, however, out of a possible total of £14-16 million available from RECHAR for 'Business Infrastructure' projects, only £150,000 had been committed. In south Wales only £5.8 million of projects had received approval out of an allocation of £17 million. As a representative from south Wales stated: "we have programmes on the table: the problem is in progressing them. In addition, the local authority capital allocations for 1993-94 caused a shake out in projects and these withdrawals caused a further delay" (Welsh county council official, May 1993). However, he added: "I'm sure we will spend the money, but not as efficiently as possible because of the various administrative problems... the spending of

the money is being put before the nature of the projects"  
(Welsh county council official, May 1993).

There was general agreement in the meeting that local authorities had remained the dominant players over RECHAR despite earlier fears, even where councils were not the key 'financiers' . Because of their various capital spending problems, councils were often unable to develop schemes alone but instead had taken the lead role in bringing together other actors with finance available. This was a new development which kept councils centrally involved.

Again, however, there were regional variations in the proportion of RECHAR allocations going to local authorities. For example, in the TAWSEN area, local authorities were said to be 'getting' around 60%. In the West of Scotland the local authority share was 46% with other actors mentioned being British Coal Enterprise (14%) and a local college (9%) with the local authorities reliant on partnerships for 'half' of the schemes they were involved with. In South Wales local authorities were said to be 'in the lead' on 70% of the projects, but much of the finance was being provided by other partners.

In response, the Commission official said that he did not doubt that RECHAR funds would be committed by the end of the programme:



"The money will very probably be spent... but we did want RECHAR to be spent in a special way which is why we pushed for changes in ESF on pre-vocational training and social infrastructure... that potential has not been realised which is disappointing... it is important to keep the pressure on the government - we are not in the business of running down RECHAR programmes" (Seatter, May 1993).

Mr Seatter stated that the Commission had not experienced the same problems in other member states with RECHAR, remarking that although there had been some problems in France, a lot more social infrastructure projects had been carried out there, with the French government 'not hostile' to that. The problem in the UK had not been related to the quality of the UK programmes which he described as 'quite high'.

With regard to 'mainstream' ERDF, Mr Seatter commented that it looked likely that there would be an underspend, although again, the extent of this would vary from region to region. Moreover, it was conceivable that if a region did not bid for money because its authorities were unable to, the 'spare' allocation for that region could be re-directed to other regions within the UK at the request of the government: otherwise the money would be lost to the Regional Fund. The Commission would have no choice but to do this although it was remarked by one participant that this would "slightly defeat the object of regional policy" (CCC official, May 1993).

Table: UK 1993 ERDF Allocation to Objective 1, 2, 5b and non-objective areas not yet committed or paid at 30.04.93 (current prices)

REGION	YET TO BE COMMITTED		YET TO BE PAID*	
	MECU	UKL	MECU	UKL
			1 ECU = 0.787028	
<b>OBJECTIVE 1</b>				
Northern Ireland	56,57	44,52	131,92	103,82
TOTAL - OBJ.1	56,57	44,52	131,92	103,82
<b>OBJECTIVE 2</b>				
North East England	75,04	59,06	122,74	96,60
Eastern England	88,77	69,86	161,39	127,02
West Midlands	47,80	37,62	120,78	95,06
North West England	135,57	106,70	213,31	167,88
West Cumbria			7,85	6,18
Clwyd	16,73	13,17	24,59	19,35
Industrial S. Wales	57,58	45,32	93,04	73,23
Western Scotland	11,52	9,07	100,20	78,86
Eastern Scotland	4,16	3,27	44,57	35,08
Multi-Regional	32,21	25,35	40,05	31,52
TOTAL - OBJ.2	469,38	369,42	928,52	730,77
<b>OBJECTIVE 5B</b>				
Devon/Cornwall	28,95	22,78	34,74	27,34
Mid Wales	16,52	13,00	32,95	25,93
Galloway	4,02	3,16	4,68	3,68
Highlands & Islands	6,27	4,93	17,86	14,06
TOTAL - OBJ. 5B	55,76	43,88	90,23	71,01
<b>OTHERS</b>				
Pilot Schemes (Art.10)			4,67	3,68
Interreg UK/F	4,47	3,52	7,70	6,06
Non-Quota			8,68	6,83
TOTAL - OTHERS	4,47	3,52	21,05	16,57
TOTAL - UK	586,18	461,34	1171,72	922,18

\* The amounts to be paid are greater than the amounts to be committed due to the fact that some monies have still to be paid in respect of commitments that have already been engaged.

(Source: Commission of the European Communities 1993, enclosure to Wayne David MEP)

#### **Local authority one day conference on additionality**

Following on from the meeting in Barnsley in April, a one-day local authority conference on additionality was held in Manchester on July 1, 1993. Here, the Commission made a clear statement that there was still some way to go before it would be satisfied the government was providing additionality.

Graham Meadows (DG XVI) stated that before 1988 there had been no real Community regional policy, merely a 'Community fund'. However, Community policy became real in 1988 as part of the economic and social cohesion drive. Innovations of this policy were that it would be driven by local area partnerships involving local economic strategies of which training would be a part. Above all, the programmes that would be produced would be about job creation and as such the additionality of Community regional funds was vital. Agreeing to this regional policy was said to be part of the agreement that member governments entered into with the single market programme and additionality was a feature of this policy. Consequently, Mr Meadows suggested, the government's subsequent actions could only be explained in

one of two ways: through 'mess up theory' or through the theory that the government never had the intention of properly implementing Community regional policy.

With regard to RECHAR, Mr Meadows said that the government's ability to take account of this in drawing up its public expenditure plans in advance of the package being announced was "proof of the government's brilliant economic forecasting in predicting the movements of the CCC" (Meadows, July 1993). It was the Commission's view that RECHAR had not been taken into account in advance by the government. This had made it a good test of the government's additionality arrangements.

Mr Meadows repeated the Commission view that the shortage of matching funds in the UK might lead to a failure to take up available ERDF grants. This would be a loss to the UK as a whole and would, ironically, have a detrimental effect on the UK's PSBR. This was said to be ironic because the government's policy in restricting local authority expenditure in the first place had been part of the government's strategy for controlling the PSBR.

The government view at the conference was put by Peter Walton, Controller, Department of Environment and Transport, North West Regional Office. He stated that the system of 'local additionality' had replaced national additionality

after the February 1992 agreement and that cover now 'went with the grant'. Local additionality meant that it was now possible to clearly identify projects that had been developed using ERDF which would not otherwise have gone ahead. Mr Walton's suggestion was that this was the level at which additionality should be perceived and what happened to national expenditure figures was not the issue. This was not a view shared by much of the local authority dominated audience.

Mr Walton was unable to reveal any new developments on the existing arrangements for handling ERDF but he did state that progress was being made to meet agreement with the Commission on the outstanding issues. Although this had appeared not to be successful thus far, he suggested that "progress is sometimes made in retrospect" (Walton, July 1993). However, at this stage the government official was revealing very little and there was nothing in his contribution to suggest that a lasting settlement on additionality was imminent.

The local government spokesperson, Keith Beaumont of the AMA, suggested that the additional amounts provided by the government in the form of ERDF SCAs for 1993-94 was strikingly similar to the amounts the government had removed from BCA allocations to local authorities for that year. This would increase matching funding problems while

continuing to deny genuine additionality. Mr Beaumont suggested that the matching funding problem would remain the central point of difference between central and local government.

Michael Welsh, the Conservative MEP for Lancashire Central and a member of the European Parliament Regional Policy Committee, argued that the additionality issue had to be set in the context of an 'extremely complex triangular relationship between central government, the Commission and local authorities'. A feature of this relationship was that "central government is suspicious of the Commission and local government" (Welsh, July 1993). He added:

"Additionality goes to the heart of who controls public spending... no organisation will readily surrender that... it would be a major concession of power. Any government that allowed the Commission to dictate its public spending policy would have a lot of explaining to do to its own supporters" (Welsh, July 1993).

The inference was that additionality, ostensibly an issue of public expenditure control, was inextricably linked with what some defined as sovereignty. It was clearly an issue of considerable importance to the government.

Mr Welsh disputed Mr Meadows' statement that the government had agreed to the Commission's definition of additionality in 1988, suggesting instead that the wording on additionality in Article 9 had been left unclear probably because member governments and the Commission could not

agree. Although Mr Welsh did not mention the UK government specifically, his comments reflected those of the officials interviewed for this research. Article 9 had been left ambiguous ultimately so that an agreement could be reached on the whole structural fund package. All sides would have to see how the additionality clause would be interpreted. It was the Commission's view that the UK government's interpretation was unsatisfactory, not, initially at least, that of the government and its supporters.

#### 5.4 More changes to the treatment of ERDF

Although meetings in April 1993 with representatives of the DTI, DOE, Department of Transport (DoT) and the Treasury brought the Commission little success, the government did address one criticism of its arrangements in June 1993. The government announced that SCA payments would be issued quarterly in recognition that "the retrospective nature of ERDF grants coupled with the fact that the related expenditure cannot be anticipated for the purposes of an authority's temporary capital borrowing limit may cause difficulties for some local authorities" (Stroud 1993, p1). However, continued variations between government departments in their treatment of SCA cover caused continued dissatisfaction. More significantly, the ongoing problems facing councils in raising matching funding meant that ERDF earmarked for the UK was still at risk.

In July 1993, the government introduced changes which did recognise the matching funding problems faced by councils for the financial year 1993-94. This concerned expenditure on projects jointly funded by ERDF and City Challenge, Urban Programme, Urban Partnership Fund or the Coalfield Areas Fund. Under previous arrangements, a local authority receiving an ERDF grant for expenditure already covered by a government grant from one of these programmes would have to pay back the government grant unless it had sufficient capital cover for both, which usually was not the case. Sheffield City Council had experienced this:

"In 1991/92 it received Urban Programme grant of £4.75 million towards the total cost of the Sheffield Arena. This scheme subsequently gained a 50% ERDF grant of £2.375 million, which the Government treated as displacing the same amount of Urban Programme grant. The displaced grant could only be used for other Urban Programme schemes in Sheffield if the council could provide an equivalent amount of cover from its credit approvals, which it could not do. As a result, the "displaced: £2.375 million had to be surrendered back to the Government" (Welfare and Beaumont 1993, pp. 3-4).

This 'claw back' mechanism, as it was generally described, would cease to exist for 1993-94. Thus, for that year, an authority receiving ERDF for expenditure that would otherwise have been covered by a government grant could spend the 'displaced' grant on other projects: the government would provide the extra cover needed. Restrictions were placed on the re-use or 're-cycling' of the displaced grant, notably that it had to be spent within



the year on projects which would qualify under the relevant government programme, but the intention was to treat the ERDF element as additional. This change was a distinct improvement for the local authorities it affected. Effectively, it allowed certain government grants to be used as matching funding without penalty. One local authority officer explained how it worked:

"Before the changes, for every £4 spent on Urban Programme projects we received £3 back from the government. When this was used with ERDF, for every £4 spent we received £2 from ERDF and £1.50 from the government so basically the government took three quarters of our ERDF and we took a quarter. This made us better off but the main beneficiary was the government.

"Under re-cycling of grants outlined in the letter of 7/7/93 we still received £2 of ERDF for every £4 spent but the government didn't take £1.50. Instead that money could then be carried forward for spending on Urban Programme type projects in the next financial year" (English district council, 1994).

In this way, as the officer put it, recycling didn't allow additionality straight away 'it led to additional benefits in the following year'.

The impact of these changes was limited, however. First, the new arrangements applied only to grants from government programmes managed by the DoE, other departments (Transport being particularly important) would continue to claw back 'displaced' grants. Second, the new arrangements impacted upon only a minority of ERDF-recipient authorities. Only 40 of the 124 authorities in England which qualified for ERDF were also eligible for City Challenge, Urban Programme or

the Urban Partnership Fund. Grants from the Coalfield Areas Fund, available to a further 10 ERDF authorities, totalled only £5m (Coalfield Communities Campaign 1993, p2).

Although this arrangement assisted a number of large councils, for the majority of ERDF authorities, the revised guidance had no immediate impact. For those authorities that did benefit, it was uncertain how long these arrangements would last: any benefit would depend on an authority's continued eligibility for domestic assistance.

The CCC concluded that:

"although the revised guidance is a welcome amelioration it falls far short of a solution to the 'matching finance' problem... It remains the case that the only lasting solution to this problem will be to extend the automatic capital cover available for ERDF receipts to include the matching local contribution, and to do so without making any corresponding reduction in other areas of local authority capital spending" (Coalfield Communities Campaign 1993, p2)

### 5.5 Additionality back in the headlines

By Autumn 1993, events took a party political turn once again as the additionality issue came back into the headlines. Reports claimed that £300 million of aid which should be spent in the UK was 'still going begging'. Vice-Chairman of the European Parliament Regional Policy Committee, Labour MEP, Wayne David said the fact that it was primarily Labour-controlled councils that were losing out was 'no coincidence'. The government's desire to re-draw the map of UK areas eligible for EC funding under the

forthcoming programme period to include areas of the South and South East of England was also political, he argued:

"They want to include Brighton, Portsmouth, Bristol and parts of inner London, including Kensington and Chelsea... even though the regulations state that no more than 15% of a country's population can benefit from regional aid" (Independent 15.10.93., p1)

Towards the end of 1993 there were still problems regarding the UK share of ERDF. Despite flexibility provided by central government, councils still had difficulty finding matching funds. Ultimately, however, the UK did not lose substantial sums of ERDF for 1993. However, the quality of schemes submitted was necessarily affected by the various problems encountered. With regard to RECHAR it was said: "money had not been well spent... its use had been determined by bureaucratic expediency" (CCC official, April 1993). And although the government's 'recycling' concession in particular allowed a sufficient number of bids to reach Brussels by the December 1993 deadline, this did not necessarily mean a satisfactory solution. The Vice Chair of the EP Regional Affairs Committee commented:

"£329 million has been technically committed by the end of December, but projects were thrown together and there is a danger that the contracts will not be fulfilled... it is likely that substantial sums of money will be unclaimed by Britain when things are finalised" (David W, 1994).

## 5.6 The 1993 reform of the structural funds

Before moving on to consider the impact of the new arrangements on local authorities, it is important at this stage to note that during this period, negotiations took place over the structural fund regulations which were to come into effect for a five year period from the beginning of 1994. The general thrust of the reform was one of continuity rather than radical change, with the principles and structures of the 1988 reform remaining largely intact.

#### 5.6/1 The context of the 1993 reform

The Maastricht Treaty, agreed by the European Council in December 1991 upgraded the importance of EU regional policy:

The perception of many member states that the Community should move towards closer economic and political union was accompanied by a recognition that measures to achieve economic convergence would be endangered without associated action to improve economic and social cohesion" (Bachtler and Michie 1994, p789).

However, the period between Maastricht and the 1993 reform was marked by a change in the economic and political climate leading to concern over the progress and timetable for economic and monetary union:

"From a political perspective, the ratification of the Maastricht Treaty has highlighted some fundamental doubts among politicians and their constituents in several member states about the speed and extent of European union. The competencies of the European Commission have come under scrutiny and the concept of 'subsidiarity' has been frequently invoked to enhance the role of member states in the design and implementation of Community measures" (Bachtler and Michie 1994, p789).

Thus by the Edinburgh summit of December 1992 "agreement on the future Community budget (providing funding for the commitments entered into at Maastricht) was the most critical item requiring decision" (Bachtler and Michie 1994, p790). The compromise that was reached included an increase in the structural funds budget to 27.4 billion ECU by 1999.

The Commission's proposals for the 1993 reform were framed within the principles of concentration, partnership, programming and additionality set out in the 1988 reform. The main proposals related to eligibility criteria, programming periods and administrative arrangements. Again, member states had different concerns. While the Irish government threatened to veto the agreement unless its share of Objective One funding was maintained at 13.5%, several member states wanted the right to designate Objective 2 and 5b regions themselves. For its part, the UK government objected to the new Objective Four. When agreement was reached in July 1993 with the intervention of the Commission president, "secrecy surrounded the final compromise figures... and uncertainty remained as to whether the promised allocations matched or exceeded the sums agreed at Edinburgh" (Bachtler and Michie 1994, p790).

#### 5.6/2 Summary of the 1993 reform

As the official Commission document put it: "the major principles adopted in 1988: concentration of effort, partnership, programming and additionality, are maintained or strengthened" (Commission of the European Communities 1993c, p7).

### **Concentration**

While Objectives One and Two were not changed in 1993, Objectives 3 and 4 were merged to create a new Objective 3. This aimed at "facilitating the integration... of those threatened with exclusion from the labour market" (Commission of the European Communities 1993c, p11). The new Objective, was designed to give effect to new tasks laid down in the Maastricht Treaty to, "facilitate workers' adaption to industrial changes and to changes in production systems" (Commission of the European Communities 1993, p11). Objective 5a maintained its initial goal of speeding up the adjustment of agricultural structures as part of the CAP reform, but added assistance to modernize and restructure fisheries. Objective 5b changed slightly from the 'development of rural areas' to the 'development and structural adjustment of rural areas' (Commission of the European Communities 1993, p11).

A number of new regions were given eligibility under Objective 1 including the five new German Lander and Merseyside and Highlands and Islands in the UK. This

broadened the coverage of the fund to 26.6% of the Community population. In response to the areas submitted by member states, eligibility of Objective 2 and 5b funds was broadened to cover 6.8% (Objective 2) and 8.2% (5b) of the Community population (Bachtler and Michie 1994, p791).

The financial provisions for the structural funds were to increase to ECU 27.4 billion (1992 prices) by 1999, virtually doubling the amount allocated for 1993. Whereas the previous regulations specified that up to 80% of ERDF commitment appropriations should be earmarked for Objective 1 regions, this was changed so that 70% of all structural funds would be concentrated on Objective One (CEC 1993, p16).

### **Partnership**

There was little change to the partnership principle. Where the 1988 regulations had referred to 'close collaboration between the Commission and all the relevant authorities at national, regional or local level appointed by each member state...' the new regulations provided 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" (Commission of the European Communities 1993, p19).

Following the 1988 reform, the UK government had been criticised for its exclusion of trade unions from its

partnership arrangements. While time only would tell whether this would change, the new clause appeared to leave the decision over which partners should be included firmly with national governments.

### **Programming**

The revised regulations laid down a new six-year programming period to replace the previous five-year term. This was so that the end of the period would coincide with that of the 'financial perspectives' approach to the general EU budget decided at the Edinburgh summit. While the CSFs for Objectives 1, 3 and 5b would be adopted for six years, two three-year phases were specified for Objective 2 with the possibility of adjusting the eligible areas and CSFs at the end of the first phase. A similar arrangement was proposed for Objective 4 CSFs.

The previous three stage decision-making procedure for allocating funds was streamlined to two stages. Henceforth, member states would be required to submit a single programming document (SPD) comprising the development plan and the applications for assistance relating to it. The Community Support Frameworks, which set out the priorities, funding and forms of assistance was retained.

The scope of the funds remained more or less the same. However, changes included; the extension of ERDF to



education and health in Objective 1 regions; trans-European networks; and research and development in the Objective 1,2 and 5b regions (Commission of the European Communities 1993, p24).

### **Additionality**

The Commission document outlining the new regulations stated that:

"In view of the difficulties encountered in implementing the additionality principle, the revised regulations specify the criterion for respecting it:

"For each Objective, each member state now has to 'maintain, in the whole of the territory concerned, its public structural or comparable expenditure at least at the same level as in the previous programming period, taking into account, however, the macro-economic circumstances in which the funding takes place, as well as a number of specific economic circumstances, namely privatisations, an unusual level of public structural expenditure undertaken in the previous programming period and business cycles in the national economy" (Commission of the European Communities 1993, p25).

The new regulations stated also that member states must provide "the financial information needed to verify additionality when submitting plans and regularly during the implementation of the Community support frameworks" (Commission of the European Communities 1993, p25). Henceforth, the rules for verifying additionality would be included in the individual CSFs.

The matching funding requirements for ERDF would remain basically the same. As a general rule, the EU contribution would not be more than 50% of the total cost of projects

under Objectives 2,3,4 and 5b and would not exceed 75% of the total cost for assistance under Objective 1.

### 5.7 Conclusion

The first year of the new ERDF arrangements coming from the agreement of February 1992 had been problematic. Initial responses were mixed but the general feeling in local government was that the system had not been improved substantially. Instead, the government had simply found a new way of denying additionality. However, this new way had run into problems in 1993 because local authorities were unable to raise sufficient matching funds to secure the ERDF grants available. It was apparent that the other agencies the government was keen to encourage were not at that stage ready to take up the spare funds available as a result. Consequently, the government had to provide a degree of flexibility, particularly through allowing the use of domestic grants for matching funding. However, it was uncertain how long these arrangements would last and any benefit from these was dependent on each authority's continued eligibility for those domestic grants.

Yet the first year of the new arrangements was inevitably experimental. Not only was it unclear how local authorities would react to the changes but it was also more uncertain how other agencies would respond. Because the increased

involvement of non-local authority actors had been a key part of the government's strategy in introducing the new arrangements, it would only be possible to judge the effectiveness of these arrangements in subsequent years when all actors had sufficient time to respond to the new system. At the end of the first year, it was difficult also to judge whether local authorities would find ways of raising matching funding and thus compete equally with other actors for ERDF grants. In short, it was not yet possible to assess fully the impact of the new arrangements.

The 1993 reform of the structural funds appeared to offer little to improve the situation of local authorities. The matching funding requirement had not been under discussion and remained unchanged. That member states were required to produce information on planned public expenditure (by region where appropriate) so that additionality could be measured more effectively appeared to be a major improvement. However, providing and monitoring the necessary information was fraught with problems. Moreover, the new regulations appeared to increase the opportunity for member states to claim exemption due to changes in 'macroeconomic circumstances'. The implications of the 1993 reform will be dealt with more fully in the concluding chapter of this thesis. For now, however, it is sufficient to note that the changes did not significantly impact upon the net benefits of ERDF to local authorities in the

immediate period that followed, during which local authorities were surveyed for this research.

#### **ERDF-recipient local authorities surveyed**

To evaluate the impact on local authorities of the new UK arrangements for ERDF introduced following the RECHAR dispute, information was collected for this research from over one hundred ERDF-recipient councils in England, Scotland and Wales. This included interviews with over ninety officials from local authorities and local government associations. In addition, interviews were undertaken with officials from central government and the European Commission, MEPs and the former Commissioner for Regional Policy, Bruce Millan. This information was collected over a three year period with the bulk of the interviews taking place at the end of 1994 and throughout 1995. At the end of this period, the new arrangements had been in place for over three years and a clearer picture of their impact had emerged. This information is brought together in Chapter six.

Chapter six: The Implementation of the New Arrangements for ERDF

## 6.1 Introduction

Early accounts of the RECHAR dispute suggested the outcome had significant implications for conceptualising EU regional policy making. McAleavey (1992, p43) suggested that:

"the European Commission's ability to force the crisis and carry it through earns it the right to a position nearer the centre of the picture than the marginalised role it was allowed in the pre-reform accounts of the European regional policy process".

While Marks (1993, p403) argued:

"Several aspects of the conflict - the way in which local actors were mobilised, their alliance with the Commission, and the effectiveness of their efforts in shifting the government's position - confirm the claim that structural policy has provided subnational governments and the Commission with new political resources and opportunities in an emerging multilevel policy arena".

Yet while the activity of this unique alliance illustrated new political resources and opportunities arising from the structural funds, this thesis contends that the importance of these could only be fully assessed when the policy changes secured from these perceived resources and opportunities had been implemented. It is a central argument of this thesis that the implementation of policy cannot be taken as read, but that the implementation of a policy decision can be a crucial stage in determining policy outcomes. Thus, the impact of the government's decision to provide additionality could only be judged when that

decision had been implemented. As Rhodes (1986, p10)

argued:

"For rather obvious reasons, the initial decision to do something seems to be the most important part of policy-making. The awareness has grown, however, that the initial objectives can be substantially transformed as they are put into practice".

In trying to establish the impact of the new arrangements for allocating ERDF in the UK following the RECHAR dispute, it became clear that there still was not a definitive way of measuring additionality. The problem in essence appeared the same as it did before the changes: there was no way of establishing the counterfactual. While it was transparent under the new arrangements that the ERDF grant element was passed on to local authorities, it was not clear how overall spending of local authorities individually or collectively had been affected by the transparent receipt of ERDF grant. It was impossible to say what the levels of overall local authority spending individually or collectively would have been without new arrangements being introduced. Thus, attempting to measure the 'additional' impact of the new arrangements was not simply a task of analysing public expenditure accounts or those of individual authorities and providing a definitive figures for additionality under the system. The matter remained complex.

Thus in the survey that was undertaken for this thesis, quantitative data was collected and has been used for

illustrative purposes. However, because there was no systematic method available of proving or disproving additionality using statistics it was also necessary to collect qualitative data. By doing this it was possible to put together a picture of how practitioners *experienced* the new arrangements. Consequently, this chapter draws on extensive interviews with those most closely involved with the ERDF process in the UK.

The first part of this chapter focuses primarily on the views of the local government implementors of the new arrangements and Whitehall civil servants involved in drawing up the new arrangements for additionality. The second part is presented as the response of central government, the Commission and other actors to the criticisms of the new arrangements expressed by local authority actors. While the information is ordered in this way, the questions put to actors from one type of organisation were shaped by the views of the other actors involved.

The bulk of the interviews for this research were conducted over a ten month period which allowed for a dynamic process of accumulating data whereby the points made by one official could be put to another in a different department or in a different organisation. By collecting data in this way, the quality of information improved as the interviews



progressed. Thus, the questions asked of local authority actors at the beginning of the process, while crucial, had been superceded by the end of the survey. This was equally true of those put to the other actors interviewed.

The survey included of local authorities covered councils of all types: English county, district and metropolitan authorities, Scottish regional and district councils and Welsh county and district councils. While no particular officer group was targeted because of the cross-departmental implications of ERDF, the European section was often the starting point. In many authorities this was contained within departments such as planning or economic development and involved interviewing individuals with other responsibilities in addition to European funds. This provided variety to the responses and often insights into related areas, for example, comparison with domestic grant regimes, which proved valuable. However, it was often necessary to also approach either the treasurer's department or chief executive's office to get an overview of how the authority had been affected by changes to other allocations from central government relative to those for ERDF. All interviewees in this section are cited anonymously, unless their comments were explicitly 'on the record'.

## 6.2 Survey of local authorities

## 6.2/1 The availability of matching funding

The availability of adequate matching funding had been viewed by the Commission as crucial to the Kerr-Millan agreement. Commissioner Millan stated:

"for the agreement to be successful, local authorities and other project sponsors have of course to be able to put up the funds to match ERDF grants...

"the primary responsibility for ensuring that adequate matching finance is made available to project sponsors rests, of course, with the UK government" (Millan 1993, p1).

However, it became clear that this was a view the UK government did not share:

"As far as matching funding is concerned, it has always been the case that local authorities and other bodies receiving ERDF grant have provided cover for such expenditure. Moreover, the provision of public expenditure cover specifically for funding to match the ERDF grant was not part of the agreement with the European Commission" (Major 1993, pp1-2).

Very few local authorities surveyed in the course of this research claimed to have no problems finding matching funding under the new arrangements. Authorities with a limited eligibility to ERDF tended to have fewer problems because the amounts they had to find were small. However, the majority of authorities faced difficulties and those that did not were aware that they were in a minority.

Matching funding came from central government capital allocations, the sale of assets, existing council reserves and the 'recycling' of domestic grants. While a substantial minority of those surveyed had resources for the current period, the sources of matching funding were generally regarded as uncertain or diminishing and future problems were anticipated. For example,

"This Council is fortunate in still having relatively large revenue balances with which to fund schemes that qualify for ERDF assistance but they are rapidly being depleted... without such balances it would be impossible, given the capping regime, to take advantage of the grants" (English district, 1994)

Another authority stated:

"There will not be any problems this year getting the matching funds but there will be in future. At the moment we have £3m in capital balances so we are okay for the next two or three years. In the long term, however, capping means that capital balances can't be replenished: we can't put up the council tax to raise more revenue. So if we can't borrow more once our current reserves have gone we have nowhere to go' (English district, 1994).

Yet the majority of eligible councils faced immediate problems raising matching funds. This was not a concern for central government, however:

"It is for local authorities to determine their own spending priorities for spending within established guidelines including that on ERDF projects" (Major 1993, p2).

Yet local authorities argued that their ability to provide matching funds had always depended largely on the capital allocations distributed by central government. As these had

fallen in real terms over a number of years in line with macroeconomic policy aimed at controlling public expenditure, there had been fewer resources to direct to ERDF projects. Moreover, there was a widespread suspicion in local government that capital allocations to local authorities had been cut further to allow for additional credit approvals for ERDF. As noted in the previous chapter, it was suggested that cuts had been made to BCAs allocated to Other Services in particular: a key source of matching funding for many ERDF-sponsored projects.

Almost all authorities surveyed reported recent decreases in the BCA available under their OSB. Although there was a general feeling that cuts to the Other Services BCA had been the source of the additional SCA cover for ERDF grants after the 1992 agreement, any such link was impossible to prove. At the national level in *England the pattern of credit approvals after 1990-91* (when the present local government capital finance system came into effect) also suggested a link in the distribution of OSB BCAs and OSB SCAs for ERDF:

(£m)	1990-91	1991-92	1992-93	1993-94	1994-95
BCAs	135.5	169.2	95.4	15.0	zero
SCAs (ERDF)	25.0	45.0	45.0	151.0	170.0

(Source: DoE 1995).

The large fall in BCAs between 1991-92 and 1992-93 was attributable in part (£30m of £73.8m) to moving provision for sport and recreation to the Department of National Heritage's public expenditure plans. However, there was no such footnote in the DOE figures explaining the fall in BCAs in subsequent years. Between 1992-93 and 1993-94, BCAs for the 'other services' block fell by £80.4m while SCAs for ERDF increased by £104m.

Between 1993-94 and 1994-95, BCAs for the 'other services' fell by £15m to zero while SCAs for ERDF increased by £19m. While there is only prima facie evidence that these cuts in the BCA allocation went some way to providing ERDF SCAs, local authorities did not feel these BCA cuts had been reallocated to them in any other form.

A number of authorities surveyed argued that capital allocations in other spending areas had also been cut to fund ERDF SCAs. One council officer in England suggested:

"The government was bounced into the decision on additionality but are finding ways of getting it back. For example with the Transport Support Grant, which is essentially for building roads. Around the same time that additionality was announced the government put a complete block on that: any ERDF received under that heading would be clawed back by central government. That rule still remains (English metropolitan council, 1995).

An officer in Scotland commented:

"Matching funding is a problem because we don't have enough capital consents. These have been reduced in

recent years, for example, for the roads department by about £825,000 as the new rules were introduced. (Scottish district, 1994)

Another officer was quite categorical about what had happened to his council:

"It is a fact that our capital programmes were reduced from the provisional figures for March 1993. Capital programmes are submitted in the Autumn by authorities and in March figures are given for the forthcoming year and an indicative figure for the following year. The gap between the provisional outline for 1993-94 (given in March 1992) and that actually given was down on two spending blocks: the General Services Block (the Scottish equivalent to OSB) and notably the Roads and Transport Block. The difference was around £17m: we anticipated something in the high 80's (£ million) and got low 70's (£ million). The difference was roughly equal to the additional consents we received for ERDF under the new arrangements" (Scottish region, 1994)

While a number of authorities suggested that ERDF SCAs might have been part funded by cuts to grants from other government departments such as Transport, the consensus was that the DOE had been the biggest source of other cuts, although these were not necessarily restricted to other services. Some authorities felt that the government's contribution to housing programmes, which was a DOE responsibility, may have been affected by the increase in SCAs for ERDF. One officer pointed to resources for improvement grants for sub-standard housing as a possible source:

"Before the additionality agreement, individuals would receive 75% from central government and 25% from local government. In 1993/94 this changed to 60% from central government and 40% from the council. This looked blatantly linked to recovering the costs of additionality" (English district, 1994).

### Winners and losers

Thus, while local authorities suggested a variety of sources for the cuts to provide ERDF SCAs there was consistency in the belief that the new agreement had not provided additional resources to local authorities collectively. They believed that top-slicing of local authority allocations had occurred. While this might have meant some redistribution in favour of ERDF authorities, not all eligible authorities were satisfied:

"That would be unfair. There are some authorities that deserve their capital allocation and who do not receive EC grants because of a government decision to exclude them from assisted area status. They would lose out both ways" (English district, 1995).

However, such a redistribution meant that potentially at least, there would be some beneficiaries from the new arrangements. For example, one English authority had recorded a decreasing ACG for 'other services' but an increase in ERDF SCAs of far greater value:

	1992-3	1993-4	1994-5 (estimated)
ACG other services	£334,000	£278,000	£143,000
SCAs (ERDF)	£796,000	£1,678,000	£1,500,000

(Source: English district council, 1995)

In the case of this authority, the additional ERDF SCAs provided could not conceivably have been taken from the council's OSB BCA because it was not large enough initially.

This suggested that councils with a BCA which was relatively low compared to potential ERDF receipts would gain under the new system. However, such authorities often found the most difficulty raising the matching funds because of the imbalance between BCAs and potential ERDF sums. These would only directly benefit from the arrangements if the largest proportion of matching funds could be raised from sources other than borrowing (discussed below).

#### **Non-BCA sources of matching funding**

The sale of assets to provide matching funding remained an option to some councils in 1994-95, but as one local authority officer put it: "this is a difficult decision to make in a recession because land values are low and there is a danger of bad deals. In the short term we have little choice, but this is no long term solution" (English district council, 1995).

Some councils had been able to switch resources from their revenue budget to provide matching funding, but constraints on revenue spending meant only a few councils were in this position and for these it did not appear to be a lasting source of matching funding:

"Our capital spending consent granted by the Secretary of State for Scotland for 1993/94 was 480,000 and for 1994/ is 400,000. These low levels of Consent severely restrict our ability to utilise EC grants. In 1993/94 we were able to make a large CFCR (Capital Financed from Current Revenue) contribution to enhance our Consent. In this way we were able to avoid



additionality problems and attracted EC grants totalling 1.3m.

"However, this was a one-off situation and that level of enhancement cannot be repeated in future years. In 1994/95 we were able to make a CFCR provision of 660,000 which will allow us to multiply our Consent by a factor of 2.65. This is only half of last year's level and is well below what the Council had intended. It also means that it will not be possible to provide matching finance for any further projects identified under the RECHAR programme other than those already included in the above 650,000. (Scottish district, letter to CCC 29.3.94)

Councils were also uncertain whether the government would prevent or even penalise councils taking from revenue for ERDF purposes. One Scottish district council stated that in the previous year, revenue (CFCR) was the most important source of matching funding and was unsure how the government would react to this being used. The explanation offered was that:

"The Scottish Office needed local authorities to implement programmes. We were expecting trouble about this device and nothing happened" (Scottish district council, 1994)..

The decision to use council reserves for ERDF matching funding was similarly difficult to take with financial constraints on other areas of council spending leading to competition for resources. Where reserves were used it was again seen as a short-term solution.

Permission to use or 'recycle' domestic grant was vital for many authorities able to benefit from ERDF under the programme period ending in 1993. As noted in the previous

chapter, however, this source of matching funding affected only a minority of councils and it was uncertain how long this arrangement would last.

### **Matching funding and other problems assessed**

Despite the problems facing local authorities trying to raise matching funding, a number of local authority officers identified the new system as a distinct improvement. As one officer put it:

"Historically Europe used to mop up schemes that would have gone ahead anyway. Now schemes are going ahead that wouldn't have" (English district council, 1995).

One authority in Wales was able to report:

"In 1994-95 around £2.5m extra was allocated to projects than would have been the case under the previous arrangements: we had assumed the European money would not be additional. This extra spending was definitely a result of the 1992 agreement (Welsh county council, 1995).

It was notable that in these cases, however, the authorities also reported in turn that:

"Our ability to raise funds for our own capital programme is diminishing. The government is not really allowing us to have a capital programme" (English district council, 1995).

And,

"financial constraints on the authority in 1993/94 meant that the council had to withdraw 30 applications for ERDF grant, forgoing £11.9m of assistance from the Objective 2 and RECHAR programmes" (Welsh county council, 1995).

Despite, a general recognition of the problems of raising matching funding, a few local authority officers viewed this as a 'challenge':

"While we recognise that local authority schemes cannot always go forward because of capital cover deficiency... we take this as a challenge to find alternative funding structures. This in itself encourages a wider range of stakeholders in development projects and can create a greater confidence in the economic future of the locality" (English metropolitan council, 1995).

Others found that their attempts to find alternative funding structures had not received encouragement from the government:

'We have a small BCA on the other services. We have some capital receipts from housing sales but these go back to housing. We were told by the government that we could use them for matching ERDF funds but if we did we risked losing housing grant in subsequent years because it obviously was not needed" (English district council, 1995)

#### **Government explanations of the new arrangements**

Decisions about the detail of the new additionality arrangements were taken by government ministers on advice from civil servants. If local authorities had been largely excluded from decision making over implementing additionality before the RECHAR dispute, they were given no role to play immediately after it. Local authorities had made the case for what they wanted in terms of additionality before, during and after the dispute, and central government was fully aware of these and other views, including those of Michael Heseltine.

Controlling the process of providing new arrangements was the Treasury. As Peter Lilley had stated in his Parliamentary address which signalled an end to the RECHAR dispute, the agreement with the Commission would not mean increases in public spending. Thus, in line with Treasury requirements, civil servants responsible for European funding in the relevant departments - Environment, Transport, Trade and Industry, Scottish Office and Welsh Office the main ones - were told to find spending cover for ERDF without breaching their pre-set departmental limits. While civil servants were obviously reluctant to concede that this was achieved by cutting Basic Credit Approvals (BCAs) to local authorities for spending on 'domestic' projects to provide Supplementary Credit Approvals (SCAs) to local authorities for spending on 'European' projects, there was enough evidence to suggest this had happened. As one DTI official (1995) put it:

"the ERDF SCAs provided after 1992 had to come from somewhere, although I'm not sure how the DoE found the cover".

Clearly, in line with the Lilley announcement, ERDF SCAs had to 'come from somewhere' within planned public expenditure cover and the DoE, with the largest amount to find, faced the biggest problem. While there was a reluctance to give details of exactly how this problem had been solved, one off-guard civil servant explained how the DoE found cover:

"It's true that SCAs for ERDF were taken from a block of expenditure in DoE called Other Services. Since 1993 when the agreement became operative, public expenditure approval has been guaranteed..." (DoE official, 1995).

When the civil servant realised that this information was not generally released, an attempt was made to recover the statement somewhat:

"BCAs are calculated to a different criteria but no-one can deny that there has been pressure on central government spending. It is a point of view that this has happened but there have been cuts in all programmes but now we can't cut ERDF cover" (DoE official, 1995).

When it was suggested to another DoE civil servant that cuts to the BCA for other services had provided the SCA cover for ERDF, he conceded that "there may be an element of truth in it" (DoE official, 1995). However, the same official also pointed out that "the new arrangements also coincided with Michael Portillo coming in as Chief Secretary to the Treasury" and as such, BCAs for Other Services would have been cut anyway. Once again, it is impossible to know by what extent these cuts have been made but the figures in Chapter six show a striking similarity between cuts in BCAs for Other Services and increases in SCA cover for ERDF after 1992.

However, the new arrangements did make ERDF payments to local authorities transparent. Technically, therefore, the government satisfied the letter of the agreement with the Commission. That local authorities failed to experience a

net increase in their spending powers after 1992 had now been made a domestic issue by the government. The main problem outstanding was the inability of local authorities to provide the matching funding necessary to secure ERDF grants and this was an issue primarily about domestic capital allocations to councils which was outside the remit of the European Commission.

Thus, while the Commission remained receptive to local authority complaints over the new arrangements it could not act without substantial evidence that UK government was breaking Community regulations. As the 1988-93 programme period neared completion, the government made provision to ensure that the inability of local authorities to find matching funds did not mean that ERDF grants were lost to the UK. With negotiations over the 1993 reform imminent and the departure from office of Commissioner Millan to follow soon after, further significant action by the Commission against the UK government on additionality was not an immediate prospect.

### **Regional variations**

While the amounts of ERDF available to UK regions is essentially a matter for the Commission, the amount of matching funding available to councils was clearly influenced by domestic priorities of government. Some interviewees suggested that the amounts made available from

central government to individual councils were in part influenced by party politics. While it might be interesting to undertake a survey testing the relationship between capital allocations and the political composition of councils, widespread changes in the political control of councils in recent years would make this a tremendously difficult task.

One factor which appeared to contribute to regional variations in the difficulties faced by local authorities raising matching funding was the role played by government regional offices and the territorial ministries of Scotland and Wales. While relations with 'regional offices' (the territorial ministries are covered by this term for the sake of brevity) may always have been significant, the 1988 reform of the structural funds was expected to increase the importance of these relations and bring them into the open through the partnership arrangements agreed. This was a key principle of the 1988 reform and its implementation provides another area through which the gatekeeper role of central government can be assessed.

## 6.2/2 Partnership arrangements

### **Scotland**

While there were mixed responses from Scottish local authorities on their ability to raise matching funds under

the post-1992 arrangements, there was more of a consensus on the good working relationship with the Scottish Office than was reported with 'regional' offices elsewhere in the UK.

One Scottish district council officer (1995) commented:

"The Scottish Office chairs the plan team which draws up the regional strategy but this includes 70-80 partners. This acts as a brake on anything radical. No-one had anything to say about strategy, there was agreement. There is a good working relationship with the Scottish Office. There is a feeling that the system works and the delivery of programmes largely falls to local authorities".

Another officer suggested that Scottish local authorities had received 'historically larger capital allocations' which meant that there was often more competition for ERDF grants in Scotland funding than elsewhere in the UK. There was no obvious explanation why this should be so apart from the suggestion that "Scotland is a long way from London with a single government department. It makes a difference when the people you are dealing with are across the road"

(Scottish regional council, 1994). Whether this explained the situation fully or not, there did seem to be advantages for Scottish local authorities in terms of matching funding. For example:

"Scotland has ways of generating capital expenditure using revenue not available in England where there is a 'knock-on effect in terms of council tax and this can be controlled by capping" (Scottish region, 1994)

Working in partnership had a longer and more successful history in Scotland than elsewhere. This in itself was seen



as beneficial to councils and offered as part of the explanation for 'historically larger capital allocations':

"The Scottish Office has always kept up borrowing consents re. European funding. There is a better working relationship with this government department than others and better partnership arrangements" (Regional council, 1994).

However, the relationship was not seen by all as an unqualified success and a number of Scottish authorities believed top-slicing had occurred in Scotland to provide ERDF SCAs:

"When the Secretary of State for Scotland announced capital allocations in March, he indicated that the total figure allocated of approximately £553m is expected to be enhanced by a further £75m throughout 1993/94 due to additional consent arising from ERDF approved projects. He further went on to indicate that this would take the total consent allocated to around £628m which is 9.5% above last year's consent figure. "However, the actual consent figure is less than the 1992/93 level, which will limit the potential for drawing down EC grants (Scottish regional council, 1994).

Yet, even where councils believed that additionality had not resulted from the 1992 agreement, there was a tendency among some Scottish councils to be more circumspect in their representations to government than elsewhere. There was a suggestion that while some English authorities might feel they had nothing to lose seeking to publicly embarrass the government over additionality once again, the balance of relations in Scotland was more delicate. In response to the CCC's request for support for a resolution calling for full

and genuine additionality, one Scottish regional council replied (September 1993):

"Despite the endorsement of the concerns expressed in the resolution, I should emphasise that, because of the importance of ERDF payments to the authority's capital programme, it is important that no action is advocated which would interrupt the flow of such payments to the Council" (Scottish region, 1993).

## **Wales**

From the information received from Welsh authorities, the advantages which in Scotland appear to stem from the presence of a territorial ministry were less evident. The general response from local government officers to questions about partnership was less favourable than in Scotland.

Some comments were highly critical of the Welsh Office:

"The relationship between the Welsh Office and the other partners is like the relationship between a brick wall and anyone who throws their head against it (Welsh district, 1995).

While another council officer stated:

'One particular senior civil servant who previously worked in the Foreign and Commonwealth Office thinks Wales should be run like a colony" (Welsh district, 1995).

A major problem appeared to be the structures through which the partnerships operated which gave the government office control over the important decisions:

"Not only is the monitoring committee dominated by the Welsh Office but the Welsh Office also controls the technical groups which feed the information into a secretariat run by the Welsh Office. The whole process is very much controlled by the Welsh Office (Welsh district 1995).

However, while a substantial number of authorities reflected a high degree of dissatisfaction with the style of the Welsh Office, others were critical but more balanced:

'The Welsh Office does have a big say over the major decisions and has on very rare occasions pushed through projects that no one else wants. But I think that has happened only once in the last 10 years on our committees (Welsh district, 1995).

Similarly:

'It's not simply a case of what the Welsh Office says goes. Other partners discuss things and we can change things to a certain degree although ultimately the Welsh Office decides where there is dispute' (Welsh county, 1995)

And:

"We do have some success but if it's a hard line policy there's no chance of victory: it depends on the priorities of the government' (Welsh county, 1995).

It was difficult to find comments about relations with the Welsh Office over ERDF which were much less critical than this. The same Welsh county officer cited immediately above also added:

'With the Welsh Office there is a feeling that we have to fight to keep our interests there. We are deemed to be difficult: a pain rather than a partner (Welsh county, 1995).

A few officers did suggest, however, that relations with the Welsh Office overall were good. It did appear that the structural funds was a particularly difficult area. One officer stated:

'We have a good relationship with the Welsh Office, especially on Urban Aid, perhaps less so with ERDF" (Welsh district, 1995)

However, it is important to note that the survey of Welsh authorities took place during what may have been a low point in relations with the Welsh Office over the structural funds. Following the 1993 reform of the structural funds, the government had decided to restructure the monitoring committees which made the decisions over regional programmes. In one programme area in Wales, the Welsh Office proposed to cut membership of the committee to about half: from 70 members to 35. The local authority objection was that this would exclude representation from some partners likely to submit projects. The proposed restructuring would be facilitated in part by the reorganisation of local government in Wales that was to reduce the overall number through the creation of single tier authorities. However, councils were still concerned that some of the new unitary authorities would be without representation on the committee. The fear was that "reducing the size of the monitoring committees will centralize the process further" (Welsh district, 1995).

A number of council officers in Wales cited the contrast between the relative failure of partnership arrangements compared to Scotland. One suggested that:

"The Commission has said that the Scottish model works because the monitoring committee owns the secretariat

and therefore owns the programme" (Welsh district, 1995).

That Scotland had pioneered the use of programme secretariats which were independent of the Scottish Office while the Welsh Office continued to provide all the programme secretariats in Wales was a factual difference that a number of officers deemed to be important. It was suggested that a move to independent secretariats was being considered by the government. Asked why this had not already happened, one officer suggested it was because "the Welsh Office has been antagonistic towards the idea of partnership. It is a significantly different situation in Scotland" (Welsh County, 1995). Asked to explain why this should be so, the officer suggested it was

"possibly the make up of the ministers and civil servants at the Welsh Office. They have a different approach to other parts of the UK which makes maximisation of the structural funds difficult" (Welsh county, 1995).

A number of authorities pointed out that the Welsh Office's lack of enthusiasm for the partnership arrangements meant that meetings were often infrequent. One monitoring committee had not met for over a year. How could the Welsh Office justify this:

"They say they don't need to call a meeting, that there is no business to discuss. DG XVI is concerned: it has a similar relationship with the Welsh Office. But the Commission's powers are restricted by the regulations and they don't want to jeopardise the funds being spent (Welsh county, 1995).

One officer said there was some evidence that there was an attempt being made at the Welsh Office to change its style with regard to the partnership arrangements. This was the result of different civil servants, and one senior official in particular, becoming more involved. However, the officer suggested that there was some way to go before the partnership arrangements would work smoothly, but the problem was not one-sided:

"I am not sure that the partnership is confident that a change is taking place. I have only recently started attending meetings and there is still a 'them and us' feeling, engendered as much by the local authorities as by the Welsh Office. There is much distrust (Welsh district, 1995).

It was notable that virtually all of the complaints about the partnership arrangements in Wales were directed by local authorities towards the Welsh Office and not towards other partners. There were a few exceptions, however, including tensions between different types of authority:

"We don't have the best relationship with our County partners: we have different priorities within the district" (Welsh district, 1995).

However, differences between 'other partners' were often highlighted without the bitterness attached to comments about the Welsh Office:

"Relations with other partners are not too bad, although the counties have more staffing resources which allows them to take more of a strategic view while the districts tend to be concerned with taking as much money as they can" (Welsh district, 1995).

For the most part, the monitoring committees were seen as arenas where the 'other partners' were more likely to line up with each other against the Welsh Office than against each other. Despite this, the government representatives were seen as having the 'whip hand' over key decisions:

'We (the other partners) have power in terms of going to the Commission if there are problems and they are often sorted out. But unless the government is in breach of the regulations, for example with regard to partnership, it is very difficult. And the regulations are vague and open to interpretation. With regard to partnership, the government argues subsidiarity "  
(Welsh district, 1995).

In this sense, subsidiarity meant the right of national governments to determine the membership of monitoring committees, taking account of the regulations. For example, while the UK is alone within the EU in excluding 'social partner' representation from the monitoring committees, the wording in both the 1988 and 1993 structural fund regulations permitted this exclusion despite Commission efforts on both occasions to make sure they would not.

### **England**

Perhaps not surprisingly, the pattern of relations within the structural fund partnerships in England varied across the regions. However, in local government it was commonly held that while many aspects of the partnership arrangements were positive, there was no doubt that central government officials were firmly in control of the key decisions. How this control was exercised was often controversial:

## England

'The government tends to get its way over the big issues: it has a virtual veto in key areas, for example, on how much goes towards co-financing. The government ring fences a certain amount of money (50% of the business support programme) to co-finance DTI schemes, mainly 'Business Links'. Because it is 'ring-fenced' this programme doesn't have to compete with other projects. In this way the government ensures that some EU money funds its own programmes (English county council, 1995).

In this particular instance, as the officer put it: "this is a substantial amount of the overall pot: 50% of the money available for business support goes this way. All the partners objected to this but lost the argument. The Commission agreed to it, presumably it was agreed in the negotiations over the fund" (English county 1995). It did not, however, make for a more harmonious partnership.

However, in England as elsewhere, the 'other partners' were able to score victories in the committees. In one region,

"One of the things that we lobbied for and won was sub-regional allocations in the North East. The government didn't want this" (English county, 1995).

Another success was that:

'We can have elected members on the programme monitoring committee (PMC). The UK government said it didn't expect politicians to be on; the argument being that the government would have to field ministers if this happened. However, this was conceded in Merseyside and now Tyneside will have a councillor on our PMC. This is a local decision (English county, 1995).

In another English region, it was suggested that the relationship with the government 'varied' and that 'the



Commission has been more helpful'. However, the view was again expressed that things could be achieved:

"The government certainly has strong views on certain areas but the partners have achieved things in some areas. Things have got to be done by consensus. For example, with regard to co-financing (Enterprise Allowance etc..) the partners got something through" (English county, 1995)

At the same time, however, acknowledgement was given to the government's ultimate authority:

"At the end of the day the member state is the applicant so we have lost some battles which have conflicted with government policy. For example over tourism. We wanted to put forward projects that the government rejected because it said it was the role of tourist boards to promote tourism (English county, 1995).

In this English region, as in Wales, there was significant conflict over the government's reduction in the size of the monitoring committee:

"Previously the committee had 25 members including representatives put forward by local authorities themselves. Now it has 17 members invited on to the committee by the government. Only one of these (from the voluntary sector) has hands on experience of the structural funds. This is a grave concern. This will boost the power of the government in determining how funds will be spent (English county, 1995).

Individual local authority representation on the monitoring committee had been replaced by shared representation: for two of the sub-regions there were two local authority representatives and one for the third sub-region. There were also representatives of particular sectors such as TECs, small businesses, tourism and transport.

A particular objection in this region was that previously, local authorities had nominated their own representatives but these were now to be chosen by government regional office. Moreover, these government appointees were no longer required to report back to local authorities. There was no doubt about the calibre of the individuals selected, but it was suggested that as a group they offered different skills to their predecessors and therefore performed a different function:

"The committee members now have a different role, leading the direction of the funding because of their knowledge of the region rather than what the funds are about (English county, 1995).

It was also thought that:

"It may be more difficult to achieve a consensus and certainly may be more difficult to oppose the government although this remains to be seen" (English county, 1995).

Thus, there was obvious discontent over these changes, but councils had been powerless to prevent them happening. While there had been little contact with the Commission over changes affecting local government representation: it was acknowledged that the Commission desk officer for the region was 'not allowed to have a view on this' and that 'it is officially a matter for the member states to decide' (English county, 1995).

However, local authority frustration over this shift in control over representation was compounded by the fact that it had only occurred in one region. Elsewhere, local authorities were still nominating their representatives and some even had councillor representation. Local authorities had generally accepted that some streamlining to the monitoring committees was necessary: it was a large region and the committee would have been unwieldy if each individual organisations had representation. However, it was suggested that the government's changes went beyond streamlining and included measures designed to weaken the influence of other partners.

In general, there appeared to be little prospect of the balance on the monitoring committees swinging back to the other partners, particularly as the Commission had signalled its intention to be less involved at this level. Before 1993, the Commission had been represented not only on all monitoring committees, but also on the working groups feeding into them. After the 1993 reform of the structural funds, however, this would be restricted to the monitoring committees only, which normally met around four times a year. The Commission gave two reasons for this: that it did not have the resources needed to continue to be so involved; and that it was content to respect the principle of subsidiarity and let the committees be primarily domestic concerns. This decision clearly had implications for the

balance of power within the partnerships and appeared to some in local government to be a sign of Commission authority waning. As one local authority officer put it:

"There was conflict between the Commission and the government in committee but the Commission has less power now" (English county, 1995)

It was noticeable in the comments from English authorities that relations with the regional offices of central government were considered better than with Whitehall. A number of officers interviewed made the distinction. There was a suggestion that on occasions the regional offices fought on the same side as local authorities and that the stumbling block was more often Whitehall. Again, it was suggested that the day-to-day contact with regional civil servants was an important factor. This was enhanced by the increasing number of secondees from local authorities and other partners working in government regional offices. The secondee system seemed appreciated by all concerned as a good way of increasing understanding of the problems faced by the government and the other partners.

However, a less positive habit which seemed to have developed amongst practitioners was the tendency not only to make the understandable distinction between the government and the 'other partners' but also to refer the 'other partners' exclusively as 'the partners'. The implication of this being that the government is not part of the

partnership: it was in some cases almost a matter of 'the partnership' versus the government. The use of such language was not deliberate or contrived but commonplace. As such it gave an indication perhaps of how many in local government really experienced the partnership arrangements, even when the 'official line' of the authority they gave conflicted with these suggestions.

### 6.3 The role of non-local authority actors

By 1993-94, non-local authority actors had become significant players in the bidding for ERDF in all regions of the UK. As one officer put it:

"ERDF is now going elsewhere. In 1987 the partnership in this region had six members. In 1993 it had twenty" (Scottish region, 1994).

For **Eastern Scotland**, the breakdown for RECHAR spending was:

Local Authorities	£11,779,141	(69.1%)
Others	£5,265,421	(30.9%)

(Eligible expenditure certified for RECHAR 1, 1990-93.  
Source: Scottish Office, 1995)

For **Western Scotland**:

Local authorities	£2,352,265	(50.0%)
Others	£2,349,273	(50.0%)

(RECHAR approvals 1992-93. Source: Scottish Office, 1995)

For **Wales** the figures were:

Local authorities	£18,801,342	(86.7)
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Others £2,887,190 (13.3)

For the English regions, the payments by the DoE for RECHAR were:

**North East**

Local authorities £6,454,887 (60.5%)

Others £4,221,565 (39.5%)

**East Midlands**

Local authorities £11,064,768 (73.3%)

Others £4,026,974 (26.7%)

**West Midlands**

Local authorities £2,294,099 (81.7%)

Others £514,139 (18.3%)

**Yorks & Humberside**

Local authorities £9,447,062 (78.5%)

Others £2,585,137 (21.5%)

**Merseyside**

Local authorities £43,650 (10.9%)

Others £357,726 (89.1%)

**Total**

Local authorities £29,304,466 (71.3%)

Others £11,795,541 (28.7%)

(Rechar payments 1992-95) (Source: DoE).

While the official government figures provide a useful guide to the emerging role of 'other' actors spending ERDF it is

important to note that categorising grant receipt as 'local authority' does not mean that other actors were not involved in the projects. Similarly, by categorising grant receipts to other actors did not mean local authorities were not involved in the projects. The first of these two arrangements applied most though. It was said of Wales, for example, that:

"local authorities are in the lead on 70-80% of the projects but if you look at who is providing the matching funds it is a very different story. Often the authority's name is used to front bids". (Welsh county, 1993).

When adding the figures available for Scotland, Wales and England (DoE), the local authority share is 75.17% and for other actors 24.83%. While this in itself marked a substantial decrease in the amount of ERDF available to local authorities this figure also understated the involvement of other actors because of their involvement in more local authority sponsored schemes than was the reverse. Moreover, the local authority share was falling further at the time of writing.

Yet despite the virtual monopoly local authorities had previously over ERDF spending, councils seemed to have come to terms with the role of non-local authority actors with relative ease. However, there were differences in attitude towards this.

Some council officers appeared quite indifferent to the fact that the local authority share of ERDF spending had fallen. In response to the question 'is it a problem for the council that money goes to other partners?', one officer responded:

"Not really. We operate a successful partnership. It might mean different schemes but there is not a lot of competition. 'We have moved away from maximising spending for the county council to maximising for the region. It doesn't matter who spends it (English county, 1995).

Another suggested:

"The schemes carried out by other partners are pretty much the kind of thing we would do anyway. For example, our development role with regard to factory building has diminished but the void has been filled by BCE and English Estates" (English district, 1994).

It was clear that authorities such as these had come to terms with the involvement of other actors and had adjusted their objectives accordingly. This pragmatism was typical of authorities throughout the UK, even where the new arrangements for additionality were seen to handicap local authorities over matching funding:

"It is the regeneration of the area that is important, not who spends it, although it is disappointing that some excellent schemes can't be done because of matching funding problems" (English district, 1994).

And:

"The projects put forward by other partners, if not exactly what we would do, are of benefit to the district" (Scottish region, 1994).

And:



"We try to 'ring-fence' funding so that our sub-region doesn't lose out to. Ideally we would like money to be spent in the borough. It is not really a problem if it is spent by someone else" (English district, 1995).

Other councils were reassured by their experience on the monitoring committees:

"We would rather see the money being spent by another partner in this area than elsewhere. For schemes to receive funding they have to benefit the locality and pass the criteria set by the Commission (English district, 1995).

There were suggestions, however, that even where partnerships did work well, conflicts of interest could arise between local authorities and other actors:

"There has been a divergence of view between district councils and the other partners. Some of the enterprise companies have tended to put everything into big industrial projects in certain areas, not necessarily the neediest, with the view that the benefits will trickle down to poorer areas (Scottish region, 1995).

However, councils were seeing their role increasingly as an enabler in the process, leading partnerships, rather than simply bidding for ERDF and spending it alone. For most, this was a fact of life. If the council wanted to remain a major player in the ERDF field, it had to adapt:

"A new role for local authorities is emerging, that of putting together partnerships. The council has accepted this: if you don't you lose out" (English district, 1994).

Other authorities had embraced the role but suggested the changes could be detrimental:

"The problem will be that more socially oriented projects may not be possible. This is not so bad with regard to economic development but will matter in other sectors" (English district, 1995).

And:

"The role of local authorities is declining. This means we will have to work to the agenda of others who might have different priorities. The money might go increasingly to government flagship projects and not necessarily where people in the locality think it is most needed (Welsh district, 1995)

Some authorities clearly resented the changing role that the new arrangements were imposing on them:

"It is a problem for us that money is going to other partners. We would want our own projects funded. It is the politics of the situation; a sense of ownership. While spending the money is important it is not simply a matter of money being spent. We are becoming more of an enabler (English district, 1994).

#### 6.4 Summarising the local authority situation

Generally, local authorities found the financial constraints posed by the post-1992 arrangements more of a handicap than a challenge. However, most had come to terms with the fact that other agencies would take an increasing share of ERDF. As such, many responded that the point was not about working out how much ERDF was potentially available and then trying to raise the necessary matching funding, but, as one council officer put it,

"we look at it the other way round. What resources do we have available? What can we do?" (English district council, 1995).

Or, put another way "the extent to which funding can be met from limited credit approvals/capital receipts will influence the scale of submissions (Welsh district council, 1995)". Many had begun to move away from thoughts of maximising ERDF grants for the authority towards the notion of maximising receipts for the region or sub-region, irrespective of the project sponsors. One typical comment was:

"We tailor schemes around the matching funding we have. The rest goes to other sponsors. All the money from the last programme available to our operational programme area was spent within the area. That was our prime concern. We also managed to get money from other operational programme areas" (English county council, 1995).

In this sense, there was a lowering of local authority expectations regarding ERDF spending after the 1992 agreement. During and immediately after the RECHAR dispute the local authority objective was to secure the maximum spending of ERDF by local authorities. This objective became increasingly a thing of the past as councils were forced to accept the involvement of other spenders, on the basis that 'if you don't you lose out'. The lack of matching funds available to councils encouraged the view that benefits from ERDF would be maximised by co-ordinating bids financed largely by other agencies. Although many councils remained major spenders of ERDF, the enabling role had become increasingly significant. For some, this was not

a problem, while others saw problems in terms of the types of projects that would be developed.

Inevitably perhaps, virtually all authorities thought it preferable for councils to spend the bulk of ERDF, but most accepted that local authorities would probably spend less in future. However, there was a strong feeling that local authorities would remain major players for some time to come mainly because of the experience and expertise they had acquired over two decades that other partners lacked. Added to this was the perceived advantage of councils being the only democratically elected body among the 'other partners'. However, not all were confident that these factors would provide lasting advantages:

"So far we have held our own. We have known the system better, known our way around Brussels better and the LECs (Local Enterprise Companies) were not really wound up. Now the LECs are developing expertise and getting better we think we will have difficulty in competing" (Scottish district council, 1994).

And:

"There is a real danger we could be squeezed out as a force. We are a democratically elected body with a lot of experience, but if the government decides that is what it wants to do, then it will happen" (English district council, 1995).

Thus, from a position of optimism in February 1992, the local authority outlook regarding ERDF had changed considerably within three years. Matching funding problems

remained and experience of government policy suggested there was no immediate prospect of an improvement in the situation. In fact the local authority position as ERDF project sponsors appeared to be worsening.

While it had never been part of the Commission's brief to protect the role of local authorities, the plight of local authorities did have implications for the overall impact of EU regional policy. As Commissioner Millan had stated (above), 'if the ability to provide matching funds is limited, the implementation of the programmes will inevitably suffer'. This, local authorities claimed, was the end result of their problems:

"The money is not being spent strategically. Funding has gone to a ragbag of projects designed to get the money" (English district council, 1995).

And although the local authority matching funding problem did not ultimately lose substantial sums of money to the UK, it did mean that the quality of schemes assisted was affected. With regard to RECHAR it was said: "money had not been well spent... its use had been determined by bureaucratic expediency" (local authority association officer, April 1993). And although the government's 'recycling' concession allowed a sufficient number of bids to reach Brussels by the December 1993 deadline to take up other outstanding ERDF funds, this did not necessarily mean

a satisfactory conclusion. The Vice Chair of the European Parliament's Regional Affairs Committee commented:

"£329 million has been technically committed by the end of December, but projects were thrown together and there is a danger that the contracts will not be fulfilled... it is likely that substantial sums of money will be unclaimed by Britain when things are finalised" (Wayne David, 1994).

6.4/1 Did local authorities feel they had benefited from the outcome of the RECHAR dispute?

When asked whether they felt the arrangements for additionality introduced following the RECHAR dispute had benefited local authorities, there was a mixed response. Here there was often a marked difference between officers within the same authority. Officers dealing with the process of submitting bids for ERDF were often favourable, particularly because it was thought that before 1992 there had been no additionality:

"Before the 1992 changes there was no additionality. Our European funding basically reduced our borrowing. There have been some improvements since 1992. 100% SCAs are a great bonus to us. Some schemes would not go ahead without them (English metropolitan council, 1995).

Where benefits were perceived, it was quite usual for officers to suggest that the new arrangements did not go far enough:

"Since 1992 things have improved slightly in Wales overall but things haven't improved enough. But I can say there has been some benefits with the small number of schemes we have done as an authority" (Welsh district, 1995).

While very few officers saw no problems with the post-1992 arrangements, officers who were more involved in taking an overall view of the council's financial position were generally less enthusiastic than those officers most closely involved with spending ERDF. A typical comment was:

"As an authority there has probably been no real change, although certain departments may have benefited at the expense of others. Without City Challenge we would be a distinct loser" (English district, 1994).

A number of authorities suggested that without the 'recycling' concessions for 1993-94, it would have been difficult to see any real benefits from the new arrangements. Indeed it was suggested that, "things would be worse were it not for City Challenge in terms of the overall picture" (English district, 1994).

Differences of views within authorities seemed remarkably linked to positions held. In general, officers developing ERDF projects were more likely to see the new arrangements for ERDF more positively than those more closely linked with the overall financing of an authority, which might involve them having to find the matching funding from within the authority's budget. Those responsible for this were more likely to be concerned about the cuts in other central government allocations to finance ERDF SCAs or the tenuous nature of existing sources of matching funding which meant increasingly raising finance from areas otherwise protected. In some councils this meant cuts to education or housing, in

others it meant the cheap sale of valuable assets. For example, one authority said:

"Things have improved on one level (SCAs and transparency) but worsened on another (BCAs). In this authority, members have been persuaded to sell assets to provide matching funds. This is a difficult decision to make however in a recession because land values are low and there is a danger of bad deals. This is no long term solution (English district, 1994).

Occasionally, more politicised officers placed the additionality issue in the macro-context of government policy.

"If it was just about spending money then yes, there probably have been some benefits from the new arrangements. But if you think democracy is important, then the answer is 'no'. A lot of power has been taken away from local authorities and given to non-elected organisations. 'Local authorities are now playing on the government's agenda. The government wants to take the economic development role away from local authorities. The structural funds are just part of that process (English district, 1994).

Many in local government believed that the government's policy of encouraging other actors to bid for the structural funds was part of a larger policy to exclude local authorities from economic development generally. This was seen as consistent with the government philosophy that private sector activity was more productive than public sector activity. For example, councils wishing to bid for funds from the government's new Single Regeneration Budget (SRB) - which replaced existing domestic schemes, such as City Challenge - were required to incorporate private sector involvement in any submission. Thus, any ERDF projects that



were part financed with SRB would necessarily involve the private sector.

Yet there was confidence among some that the prominent local authority role in bidding for ERDF would be protected for some time to come, not least because no other agency was yet equipped to take the leading role:

"For things such as the SRB the involvement of the private sector is an intrinsic part... there is a feeling that local authorities are being squeezed out of economic development. Our role in future may be that of facilitator. We would like more of a role, but it is still seen as difficult for other players to take on the co-ordinating role. The TECs for example are providing a service (English metropolitan council, 1995)

Whether things would change was perceived to be, at least in part, in the hands of councils themselves:

"In the long term it may well be that private sector partnerships take the lead, but it may come down to the service we provide as local authorities" (English metropolitan council, 1995)

## 6.5 Commission and central government responses

### 6.5/1 Central government

Additionality in the sense in which it had been argued about at the beginning of the 1990s was not the concept of additionality that civil servants in 1995 were most concerned with. As Michael Welsh MEP had put it in 1993, the post-RECHAR dispute arrangements had seen a switch in

emphasis away from global or national additionality to local additionality. As one senior regional civil servant put it:

"At the member state level the DTI has put things in place which satisfy the Commission. But our concern at the regional office is with project additionality. We won't fund non-additional projects" (Regional civil servant, 1995).

While the official government position implied that those local authorities facing matching funding problems did so because of their administrative inefficiencies, a number of civil servants, particularly in the regional offices, expressed sympathy with the problems faced. However, sympathy did not change the rules:

"We are more rigorous in putting things forward. There is now more proof of matching funding needed. We can't consider deciding on projects if funds are not in place" (Regional civil servant, 1995).

Others were more forthright in their comments. One Whitehall civil servant stated:

"The matching funding problems of local authorities are not a particular concern of the government. It would be a concern if local authorities were being treated differently from anyone else. It is up to them to decide on their priorities" (DTI official, 1995).

The general feeling expressed by civil servants was that the additionality issue had been more or less settled. The government had met the Commission's requirements and local authorities no longer had a valid argument on the issue:

"There is no longer an argument on additionality but there is a cheeky campaign among some local authorities for the matching funding to be additional as well as

the grant element. This is totally untenable" (DTI official, 1995).

#### 6.5/2 The Commission's position

As one government spokesperson suggested, additionality and problems connected with matching funding are different issues. As such, the Commission had no basis in the regulations for taking further action. Former Commissioner Bruce Millan seemed to accept this point in 1995:

"The issue of matching funds is part of the argument between local government and central government about the adequacy of capital programmes. I have no doubt that these are not sufficient. All the Commission can do is see that the requirements of the regulations are met" (Millan, 1995).

Yet, the matching funding issue was a grey area with regard to the Commission's competences because it was acknowledged that matching funding problems up to the end of the 1993 programme period had meant EU regional funds had been less effective in the UK:

"The programmes ran into arrears last time around largely because of problems with inadequate local authority funding. There was a great rush at the end of the period and all sorts of things were agreed to get the money committed. This meant money was wasted..." (Millan, 1995).

Thus, while the Commission accepted that matching funding was essentially a domestic matter, there was a role for the Commission in ensuring that the projects put forward met the priorities in the programmes and that they were eligible for EU funding. Further, programmes after 1993 included

evaluation criteria and targets to be achieved and if the targets were not met the Commission had a responsibility to see that the quality of projects was improved. Thus, in an indirect way, matching funding was a matter for the Commission if it led to a reduction in the quality of projects being developed. However, it was suggested that the test of this was likely to be at the end of the new programme period, as illustrated by the end of the previous programme period in 1993:

"If we are getting to the end of a funding period and the programmes are running late there is pressure on all involved. That is when quality can suffer. The answer is to have good management all the way through the period of the programmes" (Millan, 1995).

From this, it seemed unlikely that the Commission would act on the matter early in the new programme period if at all.

While it was never a matter for serious discussion in the 1993 reform of the structural funds, one option for eliminating the matching funding problem faced by local authorities would be to eradicate the need for matching funding. This was not, for example, a requirement of local authorities for obtaining domestic grants. Yet this requirement was seen particularly important by the Commission for EU grants. The Commission suggested that matching funding was important so that EU funds were not seen in isolation from other spending on economic development in member states. This requirement helped the

money to be spent strategically and this aspect was seen as particularly important for the UK where "there is often no strategy for any area and if there is a strategy it tends to be for a small area" (Commission official, 1995). In short, as one Commission official put it:

"The matching funding aspect is important in making ERDF complementary to and coherent with what is going on in the member states. Otherwise it would make European funding look like money falling from heaven" (Commission official, 1995).

**Did the Commission believe the RECHAR dispute had improved the additionality situation in the UK?**

The contributions to this research left no doubt that the Commission believed that the additionality situation had improved in the UK as a result of the RECHAR dispute. In particular, this was because the Commission had a clear view that there was absolutely no additionality in the UK before this. As former Commissioner Bruce Millan stated:

"The government was not even pretending to meet the requirements by keeping figures. The money was going into the Treasury pool" (Millan, 1995).

On the government's denial of this claim, a senior Commission official (1995) stated:

"It is a lie that the government provided additionality before the RECHAR dispute. The line that the DoE put into its accounts said 'enhanced by ERDF receipts' but ERDF was proportionately bigger than this in some years, given that ERDF was only going to 35% of the population in England. It meant, at best, that the money was going elsewhere".

Thus, for the Commission, additionality of virtually any kind would have been an improvement on the pre-RECHAR dispute situation. Yet some government officials claimed that the Commission had a domestic agenda in the UK and had singled out the UK government without justification. While acknowledging the limitations of the UK policy prior to 1992, civil servants had claimed that other member states had paid 'lip service' to the Commission's additionality requirements and had been left alone by Commissioner Millan. Mr Millan rejected this argument:

"This was a specific British problem. In other member states there were difficulties in getting information. In some instances the information was not kept in the right form. But these were not matters of principle. Those easiest to deal with were the poorest member states where the whole country was covered" (Millan, 1995).

Moreover, while there had been improvements in the UK situation, matters were not entirely satisfactory. Despite the cautious reply given initially by Mr Millan to questions about matching funding problems, others in the Commission were less restrained:

"What is not satisfactory is the way the government has treated local authority capital allocations as a whole. There has been a reduction in capital allocations to local authorities since 1992 under the Other Services block where most local authority matching funding has come from (Commission official, 1995).

Again, however, it was said that the implications of this would have to be monitored in the light of the information

provided by member states as a requirement of the 1993 reform.

So if the Commission acknowledged that local authorities were handicapped in bidding for ERDF and that other grants to local authorities had been cut to make ERDF appear additional, what were the perceived benefits of the post-RECHAR dispute arrangements? One senior Commission official argued:

"The situation has been transformed since 1992-3. The attitude of the people involved with bidding for the structural funds has changed. Before 1992 the process of bidding was seen as a meaningless paper exercise. The projects put forward were often old ones. In fact some projects had already been completed! That has all stopped. There is a greater number of people involved now. People are interested in the process. The whole attitude has changed" (Commission official, 1995).

## 6.6 Conclusion

While account has to be taken of the organizational loyalties of the individuals interviewed for this research, it was difficult not to conclude that local authorities ultimately lost more from the outcome of the RECHAR dispute than either the UK government or the Commission. While central government officials displayed irritation at having to restructure administrative arrangements for ERDF as a result of the RECHAR dispute, there was no sense of defeat or loss of power. The Commission, while ready to acknowledge that its success in changing the government's

arrangements had to be qualified, was nevertheless keen to emphasise that it had been a success. Commission officials seemed at times to suggest that simply securing a public climbdown from the UK government over additionality was in itself a victory, almost irrespective of the implementation details. However, the Commission was able to point to the revitalisation of the bidding process as evidence of progress stemming from the new arrangements.

Yet it was clear looking at the RECHAR dispute three years on, that while the interests of local authorities and the Commission appeared to be sufficiently convergent for the dispute to be sustained for almost a year, those interests, in the final analysis were not the same. The Commission was interested primarily in implementing an effective EU regional policy: local authorities were interested primarily in spending more money. These interests neatly dovetailed to facilitate change, but this change brought circumstances in which the priorities of the Commission and local authorities were revealed as different.

Three years after the RECHAR dispute, there remained a clear preference among Commission officials that local authorities play a major role in implementing EU regional policy in the UK, but the Commission recognised that its remit was to promote an effective regional policy and not to promote the interests of a particular group of implementors. In 1992,



the role of non-local authority actors was so limited that the Commission attempt to improve the additionality situation appeared likely to improve the fortunes of local authorities by necessity. However, as things changed quickly after 1992, the main benefits the Commission saw from the RECHAR dispute were in part related to the involvement of other actors at the expense of local authorities. Yet this did not appear to lead to emnity between local authorities and the Commission. This development was seen as a somewhat inevitable consequence of general government policy towards local authorities which may, at worse, have been accelerated by the RECHAR dispute.

The concluding chapter of this thesis considers how the information provided for this research aids understanding of the EU regional policy-making process in the light of the theoretical approach outlined in Chapter One.

Chapter seven: Conclusion

## 7.1 The purpose of this research

This thesis set out to consider the gatekeeper role played by UK central government over the domestic impact of the European Regional Development Fund. To do this, this thesis has focused on the principle of additionality, but has also looked at the partnership arrangements introduced in the 1988 reform of the structural funds.

It was argued that in practical terms, the distinctions between different stages of the policy process can be blurred and that understanding the inter-connectedness of these stages is crucial. However, for analytical purposes, the theoretical model set out in chapter one made the distinction between decision-making at EU-level and the domestic implementation of EU-level decisions. Thus, for purposes of ordering the empirical material in relation to analytical framework, this concluding chapter begins by considering the policy process at different stages, starting from the negotiations over the 1988 reform of the structural funds.

## 7.2 The 1988 reform of the structural funds

### 7.2/1 Systemic and Super-Systemic Decision Making

Using Peterson's distinction, negotiations over the 1988 reform of the structural funds can be seen as 'policy setting decisions' taken at the systemic level, which relate to the 'super-systemic' decisions to launch the completion of the internal market by 1992 and the enlargement of the EC to include Portugal and Spain. Both of these measures had provided implicit and explicit agreements to reform regional policy in a substantive way. Applying the policy networks language further, super-systemic decisions helped shape the 'rules of the game' for the 1988 reform, thus setting 'the appropriate limits within which discretionary behaviour may take place' (Truman, 1951, pp343-4).

Peterson's conceptualisation provides a 'levels of analysis' distinction which dovetails neatly with Moravcsik's argument that regional policy is best understood as a *sidepayment* to poorer member states for their cooperation in policy areas where more affluent member states have a greater intensity of preference. Thus, to secure a commitment to the single market programme, those member states whose domestically-determined preferences for these policy developments were most intense were willing to compensate financially, those states that were more reluctant to embrace this. Secondly, the doubling of the structural funds was explained also as a sidepayment to Spain and Portugal to offset anticipated costs of membership

Yet while the broad context for the 1988 reform was set by super-systemic decisions which implied a more effective regional policy with a greatly enhanced financial allocation, the detail of the reform still had to be negotiated. Thus, the UK government, despite its enthusiasm for the single market programme and enlargement, sought to limit the cost to the Treasury of sidepayments to other member states.

In December 1987, Mrs Thatcher stated an acceptance of the need for redistributive measures, particularly to Spain and Portugal, but argued that the proposed doubling of the funds was 'out of the question'. She was not alone among heads of governments in taking this view (chapter three). But super-systemic agreements, and the desire that these be protected, ultimately skewed the context of the 1988 reform in favour of the demandeurs. Thus the eventual agreement reached in 1988 was an illustration not only of the interdependence of member states in the EU but also of the inter-linkage between policy decisions across sectors, over time and at different levels of decision-making.

But while liberal intergovernmentalism provides an adequate explanation of regional policy as sidepayments, and of the outcome of the 1988 structural fund reform as determined by asymmetries in the relative intensity of domestically-determined national preferences across related policy

sectors, Moravcsik's theorisation of the Commission's role in the negotiations can be questioned. As the only non-member state actor involved in the structural fund negotiations at the highest levels, the Commission played a distinct role and was able to use resources in bargaining not generally available to individual governments.

Moreover, these resources were not simply used, in Moravcsik's terms, to enhance the power of national governments per se, by increasing the efficiency of interstate bargaining and by strengthening the position of national governments within their domestic contexts by structuring a 'two-level' game which enhanced the autonomy and initiative of national leaders (Moravcsik 1993, p507). Rather, the Commission had its own agenda to further and thus simultaneously enhance the supranational status of regional policy. This agenda coincided more with that of the demandeurs, and thus, it was those national leaders that benefited from the Commission's activity, not national governments per se. This was not a new development, but was also a feature of the outcome of the negotiations which led to the establishment of regional policy in 1975.

#### 7.2/2 The Commission's role

As in the early 1970s, the Commission was able to influence the outcome of the negotiations leading to the 1988 reform through its agenda-setting powers. By the mid-1980s, however, these powers had been enhanced by the increased informational resources the Commission had accumulated through its managerial responsibility for regional policy in the previous decade. The Commission was a major player in the 1988 reform of the structural funds. The Commission's basic agenda had not changed significantly since the 1970s, but its ability to advance its agenda had improved. Enhanced informational resources were valuable in allowing the Commission to prepare a coherent and persuasive set of proposals for the reform, the majority of which were accepted by member states. Moreover, in the 1980s, the intensity of the drive to complete the internal market provided the Commission with the most favourable circumstances thus far to advance its agenda. This factor, along with the accession of Spain and Portugal, provided the Commission with considerable political legitimacy in arguing for a substantial expansion to regional policy and greater Commission control over it.

The Commission's resources of political legitimacy were strengthened by the shared knowledge of all actors involved in 1988 that the outcome of previous regional policy negotiations linked explicitly to enlargement and a push for greater economic integration in 1975, had ultimately been

resolved in favour of the *demandeurs*. Moreover, the position of the UK government in 1988 was the opposite of its position in 1975. The UK was no longer a new member of the Community seeking redistributive measures to compensate the costs of membership, but was an established Community member government which had received its sidepayments for its consent to other policy initiatives and was now seeking to limit the cost of similar financial instruments to the *new demandeurs*. The complete turn-around in the UK government's position provided further legitimacy to the arguments of the Commission and the *demandeurs*.

Thus, decisions taken at super-systemic level and in previous reform negotiations provided boundaries over which the paymaster governments in 1988 could not step without losing legitimacy for their arguments relating to other policy areas where their preferences were more intense. To overstep these boundaries would have been for the paymaster governments to threaten by implication the basis of previous agreements they had made, and on which the cohesion of the Community depended, which ultimately none wanted to do. In this sense, the constraints operating on member governments during the 1988 negotiations included a recognition that to preserve past agreements and thus to retain the cohesion of the Community, member governments had to operate within the 'rules of the game' established for those negotiations. While these rules are tested and found to vary in different



policy sectors and over time, they were understood by member governments as they applied to negotiations over the 1988 reform.

While Moravcsik explains the Commission's influence as a cost of cooperation to member governments, which is judged to be less than the benefits, this assigns a precision to the process of international cooperation which is difficult to justify. The Commission is not a static administrative organisation, but a bureaucracy with an agenda which has continued to grow and whose powers in any given situation and thus 'costs' to national governments are as difficult to calculate as the benefits to governments from international cooperation in the form of the EU. Most importantly, the Commission's agenda, which may at times coincide with that of some or all national governments, is its own (chapter one). Within the emerging political framework of the European Union this agenda distinguishes the Commission as an institution which is constitutionally complementary to the Council of Ministers, but at times politically conflictual.

Moravcsik's argument that the Commission's agenda-setting power is limited "by the Council's previous delegation and ultimate decision" and that "only the enforcement power of the ECJ appears to have resulted in a grant of independent initiative to supranational bodies which is minimally

necessary to perform its functions - and beyond that which appears to have been foreseen by governments" (1993, p513) is inadequate. The "Council's previous delegations" are a starting point for understanding the Commission's influence, but in a sector with obvious supranational implications such as regional policy, the Commission sees genuine opportunity for bureaucratic expansion and seeks to exploit this fully.

In practice, the exercise of the Council's power of "ultimate decision" as a constraint on Commission influence is not straightforward, particularly when the Commission has constructed alliances with national governments. In particular, the Commission's agenda-setting power has meant that it can act with independent initiative and does, on occasions, act in ways which have not been foreseen by national governments. Commission activity over the RECHAR programme was a good example. Thus, rather than treating the Commission as an administrative organisation over which national governments have a firm grip, Moravcsik's conceptualisation of the Commission's role needs to recognise that national governments both individually, and collectively through the Council of Ministers, face an ongoing struggle to suppress the ambitions of its own bureaucracy.

Moravcsik's cost-benefit analysis of the Commission's usefulness to national governments fails to explain the full

complexity of the relationship which has developed over the past four decades of European integration. As such, Moravcsik's assumption of rational state behaviour can be questioned. It infers a degree of knowledge about the range of possibilities that is unreasonable to assume about an emerging political arena of unprecedented complexity. Further, the cost-benefit analysis applied to the role of the Commission suggests that national governments have the option of eradicating the Commission should they decide the political costs of its role outweigh the benefits it brings them. In reality, no such choice exists. National governments are locked into a complex system of international agreements and political relationships in which the Commission is deeply enmeshed as a significant and increasingly pivotal institution which would not be readily dismissed, given the political, informational and financial resources it has accumulated.

For all this, the Commission is not a monolith, and its ability to advance its agenda, is, like that of national governments, constrained by its ability to secure agreement internally. With regard to the Commission's objectives over the 1988 reform of the structural funds, this was not a significant problem. While Commission president Jacques Delors was a key figure in promoting the single market programme, he also outlined the need for a larger and more genuine Community regional policy as an important

accompanying measure. DG XVI welcomed the opportunity to enhance its role and arguments against this within the Commission were swamped by arguments stressing the advantages, backed by Delors' personal reassurances.

### 7.2/3 Conclusion

If the outcome of the negotiations over the 1988 reform of the structural fund was shaped decisively by asymmetries in the relative intensity of national preferences across related policy sectors, the bargaining space these asymmetries provided also allowed the Commission to make significant advances over regional policy. It did so because the super-systemic decisions which shaped the context in which the reform took place provided the Commission with important resources of political legitimacy. Moreover, the Commission had built up significant informational resources which strengthened its ability to set the agenda and thus influence the outcome of the negotiations considerably.

Yet while the Commission was an important actor in the 1988 reform negotiations, the history of regional policy hitherto had been characterised by fluctuations in the power of the actors involved. Previously, there had been moments when the Commission had made ground, but usually national

governments had proven resilient in determining important policy outcomes. This history should have pointed to caution in making claims about the irresistible rise of Commission power as a consequence of the outcome of the 1988 reform. While 1988 undoubtedly marked a high point in the Commission's achievements in regional policy negotiations, much of this achievement was due to factors external to the Commission. It is evident that the Commission exploited fully its agenda-setting powers, but it is also evident the Commission was given considerable scope for exercising these powers through prior agreements in other policy areas.

While the Commission illustrated that it was willing and able to act when the opportunity arose, this opportunity was presented by a particular set of circumstances. In short, the context was crucial, and there were no guarantees that the context would be so favourable next time around. Unfortunately for the Commission, it was not.

### 7.3 The 1993 reform of the structural funds

If the 1988 reform of the structural funds suggested the Commission had advanced its influence over regional policy-making, the detail of the 1993 reform was confirmation that the advance had been halted and the Commission was facing retreat. As the super-systemic decisions affecting regional

policy in 1988 had been crucial, so was the context set at a super-systemic level crucial for the 1993 reform. By 1993, however, the political resources afforded by super-systemic decisions were in the possession of national governments seeking to secure escape routes from the demands of an increasingly supranational policy sector. The exchanges over additionality were strong evidence of this.

### 7.3/1 Additionality and other changes

While in 1988 the Commission had considerable legitimacy for tightening the additionality requirement, the force with which the Commission sought the implementation of additionality in the UK made the UK government once again keen to see the requirement loosened. This time, the UK and other governments had greater legitimacy for their arguments against Commission proposals in the context of super-systemic decisions taken at Maastricht in December 1991 which, in particular, established stringent convergence criteria for economic and monetary union by 1999. In addition, member governments who had sustained unusually high levels of domestic public expenditure in the structural fund programme period ending in 1993 had greater legitimacy in arguing for greater flexibility in the additionality requirement under the more testing economic circumstances anticipated.

In short, the context of regional policy reform changed dramatically in the five years after the 1988 reform. This led to a shift in the balance of political resources away from the Commission to the Council and this was reflected in the outcome of the 1993 negotiations. As well as resulting in a dilution of the additionality requirement, the shift in resources away from the Commission was also reflected in other changes, notably those affecting Community Initiatives and partnership requirements.

The creation of the Management Committee to oversee Community Initiatives would create a degree of national government involvement that would prevent the Commission using CIs as a weapon of surprise in any future battle over additionality. This had been an important strategy for the Commission in its conflict with the UK government. Henceforth, the Commission would be unable to announce CIs unexpectedly after national governments had announced their public expenditure plans.

While the partnership principle was confirmed, the new wording ensured continued member state control of partnerships and added that the choice of partners would be consistent with 'the framework of each member state's national rules and current practices'. This meant that where the member state took a narrow definition of the

relevant partners this would be acceptable if consistent with national rules and current practices. This appeared to undermine the immediate prospects of the Commission satisfying its objective of ending the exclusion of certain partners. For the UK government, this meant its policy of excluding trade unions from structural fund partnership arrangements could continue without the degree of criticism from the Commission that had been a feature of the period 1988-1993 (chapter six).

The 1993 reform provided a measure of how the relative influence of actors at EU-level can fluctuate within a policy sector over a short period of time. Thus while the Commission was seen to engage in 'active decision-making' (chapter one) over regional policy in 1988 it is clear that its attempts at 'great leaps forward' are only likely to meet with success in certain circumstances. As the super-systemic context of EU regional policy-making changed, the Commission's attempt at a great leap forward in 1988 was soon followed by several paces back in 1993.

The changeable context of EU regional policy decisions made it as difficult to generalise about the power of various actors from the 1993 reform outcome as it was from that of 1988. Hindsight tells that to conclude from the 1988 reform that the Commission had established itself at the centre of the regional policy process was misguided. However, we



should be similarly cautious about declaring that the 1993 reform provided definitive evidence of the enduring, but sometimes latent influence of national governments.

Thus, while one might argue that the history of EU-level regional policy-making is characterised by the underlying resilience of national governments, it is of equal importance to note that the regional policy process is still relatively new and continues to be fluid. While this is so, fluctuations in the influence of different actors is likely to remain a prominent feature. Existing actors continue to test the boundaries of their powers in this emerging political arena and the greater involvement of new actors adds a new and as yet largely untested dimension. The European Parliament, for example, acquired new powers over regional policy in the early 1990s and the significance of these powers has yet to unfold. The emergence of transnational networks such as EURACOM, which played an influential role in lobbying for and shaping the RECHAR programme, adds a further dimension to EU level decision-making which makes predictions for the future less certain. On the UK domestic front, the proliferation of new actors encouraged by government policy has already started the process of shifting resources away from local government, but it remains to be seen whether this process of fragmentation will challenge the dominating role of the centre.

While this section has distinguished between decisions made at super-systemic and policy-setting stages, the practical experience illustrates that these stages are inextricably linked. This thesis has emphasised that important linkages exist also between the EU-level and domestic policy processes. This applies both to the implementation stage of EU policy-making and to the domestic processes which shape national positions in EU negotiations, as argued by Moravcsik. The importance of domestic politics on the UK government negotiating position on additionality is now considered.

#### 7.4 Domestic politics and the UK government negotiating position on additionality

Chapter four of this thesis outlined the various channels through which local authorities were able to make representations to central government on the structural funds. The views of local authorities on the key issue of additionality were known well to central government officials, but did not change the government's negotiating position at EU-level (chapter four). In this case, the national position was not determined in response to the demands of important interests outside central government but within.

While Moravcsik rightly acknowledged the impact of domestic politics on national positions at EU-level negotiations, the idea "that the foreign policy goals of national governments are viewed as varying in response to shifting pressure from domestic social groups, whose preferences are aggregated through political institutions" is misleading here. It suggests a plurality in the decision-making process which does not fit with the evidence of formulating the UK government's position on the structural funds and in particular, the key issue of additionality which has been dominated by the Treasury since the creation of EU regional policy in 1975. This is despite criticism from all of the important interest groups, political parties, and ultimately the European Commission. In the end, the government responded on additionality because of pressure from within its own party and, in particular, the Cabinet itself.

Moravcsik's explanation of how government can at times decide policy without reference to interest groups is that "at times the principal-agent relationship between social pressures and state policies is tight; at times, 'agency slack' in the relationship permits rational governments to exercise greater discretion" (1993, p484). However, there is no analysis in Moravcsik's work of why interest groups are sometimes important and sometimes not, or why some groups regularly have more success in persuading governments

than others. There is no attempt to understand the relative influence of different groups in terms of how social and political structures might give more resources to some rather than others. As it stands, the concept of 'agency slack' is a hollow one. Moreover, where national governments regularly dominate a policy area, such as EU regional policy, this research suggests little evidence for the justification of pluralist assumptions.

As Moravcsik suggests, the extent to which interests outside central government may influence foreign policy positions may fluctuate considerably from sector to sector, across issues and over time. This would seem to undermine the case for a general theory of pluralist interest group-government relations. Thus, a starting point for understanding how national positions are determined over a particular issue would be to employ the policy networks material to understand the distribution of resources in the political networks through which central government and other interests operate. This is done in relation to the implementation of additionality in the UK (below), but could also be applied at the policy formulation stage. Once the distribution of resources is understood, the question of how and why the pattern of resources in a particular network is such may be addressed. In short, this is the argument that a theory of power needs to be used in conjunction with the policy networks approach for an explanation with predictive

qualities. At the same time, the core executive studies approach could be applied to understand decision-making within government. This approach may provide a clearer picture of which partisan interests are being articulated by governments under the cloak of 'national interest' in each particular international negotiation.

### 7.5 Implementing additionality in the UK

While it may be possible to refer to a British EU regional policy network, it is more precise to understand the situation in terms of a number of overlapping networks at regional and national level. These networks are distinguishable in terms of structure, functions and membership.

#### 7.5/1 The role of regional networks

The programme monitoring committees (PMCs) created for administering the structural funds under the 1988 reform have become pivotal to EU regional policy-making at regional level in the UK. They are required to meet on a regular basis and involve 'relevant partners' in decisions affecting the domestic implementation of the structural funds. As such, the operation of PMCs provides important illustrations of the relative influence of the various actors in the domestic ERDF arena (chapter six). The dynamics of regional

networks generally is considered below (7.7: Partnerships). Here, however, they are discussed specifically in relation to their influence on the implementation of additionality.

The PMCs perform the specific function of ensuring that EU regional funds are spent effectively. When discussions about additionality arise at this level, they are generally limited to what practitioners describe as 'project additionality' rather than 'global additionality'. However, this distinction is an important one, which illustrates the limited scope and influence of the regional partnerships.

Global additionality is what research has been primarily concerned with: the notion that EU grants should be spent in addition to planned domestic expenditure in the regions targeted. Project additionality, on the other hand, is concerned with ensuring that the EU money is spent on appropriate projects in the regions targeted: it does not address the issue of whether this spending has led to cuts elsewhere. It is in this sense a micro-level conceptualisation of additionality that leaves the discussion of macro-level additionality to actors at other levels of decision-making.

The 'project additionality' terminology is used both by central and local government actors. The local authority survey undertaken for this research repeatedly received

responses from local authority practitioners whose prime concern was with ensuring project additionality. Typically, this view was held by those closest to the process of project development; European officers and economic development specialists. Some of these officers had only a vague understanding of the ongoing disputes about global additionality. Other officers at this level understood the dispute about global additionality very well, but on a day-to-day basis did not involve themselves in it. This was partly because it was seen to be the responsibility of others, but often because these practitioners were under pressure to get on with the immediate task of spending ERDF rather than concern themselves with macro-politics.

While regional networks are concerned with project additionality, the issue of global additionality is dealt with through the national EU regional policy network. The next two sections consider the nature of both the formal and informal networks through which policy on additionality was determined in the UK and the importance of network relations, before and after the 1988 reform of the structural funds.

#### 7.5/2 The role of national networks

The intervention of the European Commission over the RECHAR programme was clear evidence of its view that the UK government had failed to implement additionality in accordance with EU regulations. This intervention was necessary to change UK policy. Previously, the resources available to central government allowed it to dominate the national network and determine policy on additionality, despite the conflicting position of the most important other domestic actor, local government. While local authorities had influence over regional policy at the margins, important decisions were taken by central government with little or no concession to other actors.

The decision to withhold structural fund payments brought the Commission firmly into the domestic national network, bringing with it substantial resources to be used in the bargaining process. While this is an important illustration of network change after the 1988 reform, there were others. These are best understood in relation to how policy on additionality was decided before 1988.

### 7.5/3 Implementing additionality before 1988

A number of formal channels were available to local authorities through which they could communicate their views on additionality and the issue was widely discussed prior to



1988 (chapters two and four). These channels were, in Rhodes' terms, essentially intergovernmental networks linking national local authority associations and central government departments (chapter one). Select committee reports provide the most detailed evidence of the exchanges on the issue, illustrating that the implementation of additionality by central government was openly criticised by local authorities for over a decade (chapter four).

Despite this, in the early years of Community regional policy, the government's non-compliance with the additionality principle was quite overt (DoE 1976, chapter two) before becoming more ambiguous as criticism increased. Both the formal and informal networks through which local authorities made representations on additionality were dominated by central government. Local authorities were dependent on central government for their constitutional position, their financial power and, to a considerable degree, for political legitimacy.

It is noted in chapter four that even at the high point in general terms of local authority influence in the UK, local authorities were most influential at the margins. On the rare occasions when local authorities did secure major policy changes, for example over the poll tax in the 1980s, this occurred when the balance of resources was skewed more in favour of local government by the intervention of other

actors into the policy network (chapter four). While local authority practitioners commanded informational resources necessary for successful policy implementation, these alone were not decisive in shaping implementation policy.

Frustrated within the domestic networks, local authorities made increasing representations to Brussels. Despite receiving a sympathetic hearing in Brussels, the Commission took no action on additionality before the 1988 reform of the structural funds. Thus, to that point, no real progress was made on the issue in the UK.

#### 7.5/4 Implementing additionality after the 1988 reform

As outlined in chapter three, the UK government's position in the 1988 reform negotiations demonstrated an awareness that the final wording on additionality would be important at the implementation stage. Hence, the government was keen to ensure that the wording applied additionality to "increases in the appropriations" of structural funds. In the event of continued non-compliance, this wording provided the government with political resources in allowing it to argue that no change in its implementation arrangements were necessary unless the UK benefited from a measurable increase in structural fund payments, which was thought unlikely.

The Commission also understood the implication of this final wording, but ultimately had to concede the inclusion of this clause to secure gains in other important areas of negotiation. However, the Commission knew that agreement to the UK government's demands at this level of policy-making would not necessarily be the end of the matter, with implementation-stage bargaining still to take place.

Thus, coming out of the 1988 reform negotiations it was probable that both the UK government and the Commission were satisfied that the agreement on additionality would allow them the opportunity to achieve their policy objectives at the implementation stage. The UK government had what seemed to be an exemption clause as it did not appear likely to benefit from 'increases in the appropriations', in the forthcoming programme period. Moreover, negotiations for the 1993 reform would be under way before the 1988 programme period had ended and thus there would be another opportunity to re-negotiate any 'difficult' regulations, under circumstances which were likely to be less favourable to the Commission as the Single European Act and enlargement became more distant. For its part, the Commission had a new form of words which at the very least, justified taking a closer look at the implementation of additionality in member states. Moreover, its control over Community Initiative programmes provided it with a surprise weapon.

## 7.6 The RECHAR dispute

It is possible that the Commission was prepared to accept the UK amendment to the additionality regulation because it knew that a new round of Community Initiatives (CIs) might be introduced which would require the UK government to prove additionality was being provided. However, it is very difficult to assess how important this was in the Commission conceding ground on additionality. This is especially difficult because agreement on a new round of Community Initiatives was not certain during the 1988 reform negotiations. Such was the delicate balance of the negotiations, each actor continually had to assess the relative merits of their range of bargaining objectives.

It is possible that UK government's opposition to Community Initiatives could have been traded for the Commission's agreement on a diluted additionality clause. Whether this happened or not, once it became clear that the UK government's position on additionality was firm, the importance of securing agreement on CIs was crucial to the Commission if it was to make anything of non-compliance with the additionality principle in the UK. Thus agreement in the structural fund regulations to Commission control over CIs was recognised as a potentially vital resource in bargaining over additionality at the implementation stage.

While there was no indication prior to 1988 that the first new CI would be a coalfield programme with significant financial allocations for the UK, the fact that it was, illustrated retrospectively the importance for the Commission of securing agreement on CIs. In particular, the timing of the announcement of the RECHAR programme put the UK government on the defensive (chapter four), thus providing the Commission with political resources from the beginning. By subsequently suspending RECHAR payments to the UK, the Commission brought considerable financial resources into the implementation networks as a lever against central government policy (see below).

Had the UK government been more involved in the management of CIs, as they were with other structural fund programmes, this strategy of 'surprise' would have been eliminated. This fact was recognised in the 1993 reform when national governments were successful in creating a management committee for CIs, to increase their control (chapter five). As it was, the Commission's control over CIs after 1988, allowed it to bring both political and financial resources into the implementation networks usually dominated by the resources of domestic actors, and in particular, by central government.

While the Commission arguing for policy change without support from domestic actors within the implementation networks may not have been successful, the previous history of additionality in the UK illustrated that without the Commission bringing new resources into the implementation networks, central government policy would not have been changed against its will. Yet if the Commission had brought new resources to this dispute, the support given to the Commission throughout the dispute by the local authorities greatly enhanced these resources (see below). While this unique alliance was sustained by the formal linkage of shared policy objectives on additionality, this linkage was enhanced by good informal relations between key personnel on both sides.

#### 7.6/1 Informal relations

While it was useful for informal relations that two of the most senior Commission officials involved in the RECHAR dispute were British, and at least one of these had strong personal connections with an area targeted for RECHAR grants, of particular importance for informal relations were the party political linkages between Commissioner Millan and senior local government politicians involved in the dispute.

The CCC was dominated by Labour-controlled councils and Commissioner Millan had a long involvement with the Labour movement (chapter four). In particular, from his previous political involvement Mr Millan knew well a number of the key figures involved in the Scottish region of CCC. It may not be coincidence that, according to one local government secondee to a government regional office in England, the Scottish region of CCC was regarded in government circles as the most effective arm of the organisation during the RECHAR dispute (Secondee 1995). Certainly, these good informal relations provided easier access to the Commissioner for the local authorities involved than they might have expected with a Commissioner from another country or a former Conservative minister from the UK.

Informal relations were also important in the filtering of information between central government and local authorities during the RECHAR dispute (chapter four). While officially locked in stalemate, communication between central and local government took place on a regular basis informally. For example, it was through these informal channels that local authority personnel received extra information about the government's position on additionality that enhanced official statements. Thus, while officially the government promoted an aura of calm concern about the dispute, unofficially senior ministers were furious about the action of local authorities and the Commission and let this be

known. By facilitating a fuller understanding of the position of all sides, informal channels were an advantage to all involved and thus were maintained as an unofficial way of striving for progress in the RECHAR dispute when none was being made in official meetings.

Yet while individuals in government regional offices could pass on advice and their counterparts in local government could reciprocate, this communication between the conflicting parties came to little while the formal positions of the conflicting parties remained entrenched. Ultimately, the dispute turned on more important factors. Thus, the importance of informal relations in this instance need to be understood in the context of the bigger interests of the parties involved. Nonetheless, understanding the contribution of informal relations provides a more complete picture of the policy process.

#### 7.6/2 Party politics and political legitimacy

Despite Commissioner Millan's strong connections with the Labour movement, when the Labour front bench intervened in the additionality dispute to make political capital out of the Heseltine memo (Chapter four), the Commissioner privately expressed annoyance. He recognised that the creation of a clear party-political divide on the issue



would undermine the all-party legitimacy that the Commission's arguments had secured. As it turned out, the resulting publicity about the Cabinet split on additionality undermined the legitimacy of the government's position considerably, thus outweighing the damage done to the Commission's perceived neutrality by Labour Party involvement.

If Labour Party intervention had threatened to undermine the Commission's legitimacy, internal conflict threatened to destroy the government's. While the government had cited the national interest in its negotiations over additionality at EU-level, tensions within government shortly afterwards illustrated this position was a contested partisan interest. Yet despite the Heseltine memo (chapter four), first reported in December 1991, there were no immediate signs that the government would change either its policy or its strategy for winning the dispute.

### 7.6/3 The government's strategy

When it was clear that the Commission would take action over additionality, thus bringing new resources into the implementation networks, the government could have responded in one of two ways: it could either attempt outright victory by mobilising its resources against those of its opponents:

or, it could make concessions to the actor bringing new resources to the implementation networks which would take that actor and those resources out of the networks and thus allow central government to reassert control in a slightly altered context.

For the first part of the RECHAR dispute, the government appeared only to consider the first of these strategies. This did not take anyone by surprise. The controlling position of central government within the implementation networks was not easily threatened and government officials felt they had sufficient resources to win the dispute outright.

In terms of constitutional-legal resources, neither local authorities nor the Commission appeared to have much to challenge the government with. The extent of local government resources of this type had been tested in high profile domestic disputes in the 1980s and this experience had confirmed that these were almost exclusively the domain of the centre. While the Commission appeared to have 'legal' grounds for enforcing additionality, the strength of this argument was undermined to a large degree by the vagueness of the 1988 regulations and arguments put forward by the British government about the inconsistency in the enforcement of additionality in other member states. It was only when influential figures within the government's own

ranks made political arguments about the need to change the implementation arrangements did the constitutional-legal status of the additionality requirement significantly enhance the Commission's position.

The Commission's control of the RECHAR finances remained an important resource during the dispute, even though it was uncertain whether Commissioner Millan would hold to his threat of transferring the UK allocation elsewhere. The fact that there was the possibility of financial loss to the UK government, even if it was slight, was an important consideration in its response. It remained possible that unless agreement was reached, the Commission could agree to this action even if it had consequences for relations with the government on other issues. As financial considerations were a priority for the government throughout the dispute, this outcome would have defeated its main objective of limiting government spending.

Alongside financial resources, the Commission brought political resources to bargaining over additionality. Local authorities appeared to have legitimate arguments over additionality before the RECHAR dispute, but these had not been sufficient. What was important here was that the mutual support of the Commission and local authorities greatly strengthened the political legitimacy of their arguments against central government policy. This mutual

support was particularly important because the Commission was to some extent able to appear to the public as an supranational actor with no obvious agenda in UK central-local relations. For those in the media sympathetic to the local authority-Commission arguments, this perception was one worth maintaining and an important one in sustaining political legitimacy, hence the annoyance of Commissioner Millan when Labour party intervention hinted at a party political Commission agenda.

Before the RECHAR dispute, central government had been able to dismiss easily local authority objections over additionality in front of a public either unaware, indifferent or resigned to the outcome of such arguments. However, faced with a concerted attack from both subnational and supranational actors, these objections could not be so easily dismissed.

Despite the unique nature of the local authority-Commission alliance, the government still believed it had sufficient resources to secure a favourable outcome to the dispute without significant concessions. The constitutional-legal position remained vague throughout the dispute, as did the financial implications of government non-compliance. What shifted, and what consequently tipped the balance of resources in favour of the local authority-Commission alliance, was the distribution of political resources.

## **Decisive events**

Two events were decisive in changing the government's strategy during the RECHAR dispute: the cabinet split and the imminence of the 1992 general election (chapter four). It is likely that if either of these had not been a feature of the dispute, the government's strategy may not have changed. It is probable, however, that one was a function of the other.

The work of Marsh and Rhodes on Core Executive Studies signals the need to disaggregate policy making and in particular to recognise competing interests within national government. While it has been illustrated that the UK government's policy on additionality was traditionally dominated by the Treasury, Michael Heseltine's actions signalled a challenge from within government.

## **The Cabinet split**

Michael Heseltine's decision to send a memo to cabinet colleagues has to be understood in the context of the imminent announcement of a date for the 1992 general election, which had to take place before June of that year.

It was the view of increasing numbers within the Conservative party and the government that the RECHAR dispute, if not resolved, was likely to produce unfavourable media coverage to the party in areas of strategic electoral importance. In particular, Conservative MPs in the coalfields who saw the dispute as an important issue, much discussed by local people and party activists.

Electoral concerns were made explicit in the Heseltine memo, which said that the Conservatives "cannot afford such an 'own goal' in areas which are politically important to us" (chapter four). On a purely pragmatic basis, the argument was that the financial costs of making concessions on additionality were insignificant to the Conservative government when compared to the potential damage it could suffer from the RECHAR dispute electorally.

At this stage, it is only possible to speculate on Mr Heseltine's motivations for producing this memo, which was 'leaked' soon after it was produced. As noted earlier, he was an ambitious man who may have welcomed the opportunity of appealing to the electoral interests of the Conservative party while at the same time risking considerable embarrassment to John Major's government if there was no change in its position on additionality before the election. It was by no means certain in December 1991 when the document was leaked that the Conservatives would win the

1992 general election. Had they been defeated, there would almost certainly have been a leadership election in the Conservative party and Michael Heseltine would have been a leading candidate in such a situation. A more generous interpretation is that the Heseltine memo was produced in the genuine interests of a Conservative party win at the 1992 general election. In such circumstances, Mr Heseltine would win credit for his action. Either way, it appeared that Mr Heseltine had something to gain.

While the government had lost resources of political legitimacy through the publicity surrounding the Heseltine memo (chapter four), it continued to defend its previous line of argument. Campaigners remained uncertain over the government's next move. It looked likely that the government would continue to try to 'ride out' the dispute, believing that it would be submerged by bigger issues once a general election campaign had started.

Yet while Mr Heseltine's memo stressed the potential electoral costs of the RECHAR dispute, the leak of the memo - intended or not - had the impact of raising the potential electoral costs of the dispute. It was ironic that the Heseltine memo, which emphasised the political costs of the dispute to the government, provided such a degree of adverse publicity that it probably tipped the balance in the government deciding that the political costs had become too

high. Heseltine's arguments were in this sense, self-fulfilling.

The political legitimacy of the government's arguments on additionality would inevitably be tested during an election campaign and while it might be confident enough to defend its arguments against criticisms from those who could be portrayed as opponents, it could be less certain about successfully responding to criticism from a leading Conservative. Yet, the Heseltine memo was not produced in isolation and was itself given legitimacy by the concerns of Conservative MPs and indeed, those of local authorities and the Commission.

Thus, it was demands placed on the government by an unusual combination of political opponents in a pre-election period which prompted its change of strategy. In February 1992, the government moved away from seeking outright victory in the RECHAR dispute to a strategy aimed at damage limitation.

#### **A change of strategy**

Ultimately, the potential financial costs to the government of temporarily conceding to the Commission's arguments about additionality were outweighed by the argument of Michael Heseltine and others that the price being paid politically



was too high. While in other circumstances, Michael Heseltine may have been dismissed as a 'Euro-phile', the release of RECHAR funds to other member states gave legitimacy to his arguments and further undermined the government's position. For financial concessions in the short term, the government could recover a substantial amount of political legitimacy if it handled the announcement of policy change successfully.

The second strategy adopted by the government sought to neutralise the political resources of opponents which had damaged it so far and which threatened to damage its chances of re-election. By this stage, the government knew there was a price to pay for ending the RECHAR dispute. The trick ministers and civil servants had to perform was to demobilise the political resources of its opponents at minimal electoral cost to the government and without guaranteeing financial arrangements which would undermine the government's right to determine levels of public spending in the UK.

The agreement between the government and the Commission which resulted struck the balance ministers sought. Immediately, it meant the Commission conceded crucial financial and political resources to the government. The Commission's release of all outstanding funds withdrew the uncertainty of the financial implications of the dispute,

while at the same signalling that the government's political legitimacy over the implementation of additionality was restored. The agreement reached between the government and the Commission's neutralised the criticism of Mr Heseltine and others within the Conservative Party and also that from local authorities, thus immediately limiting the electoral damage of the dispute.

The government's eventual decision to change its strategy and provide policy concessions illustrated the point made in chapter one that "In situations where domestic controversy arises on a Community issue, the prevalent response of member governments is to bend to pressures rather than attempt to pursue a strategy based on long term considerations" (Helen Wallace). Although in this instance, the long term strategy was back on course after the Conservative government had secured re-election.

#### **The reassertion of central government control**

That some in local government remained sceptical of the agreement was barely reported in the immediate coverage of the settlement. Those in the media who had been critical of the government's position and wished to damage the government further focused on the 'climbdown' aspect of the settlement. This did not prove difficult for the government to deal with, given that it could respond by stating that it

had not changed its position on public spending which had always been its main concern throughout. Those in the media more supportive of the government generally reported a satisfactory conclusion for all concerned. Within days, media interest in the issue had moved away. Agreement had been reached, there would be no more details until after a general election had taken place and thus there was nothing further to report. In short, the short-term financial and political costs to the government of policy change were justified in terms of the anticipated political gains from party unity which could be important in securing re-election.

When local authority complaints about additionality emerged soon after the new arrangements were announced, it was clear that the issue was once again to be contested primarily between domestic actors. Negotiations over the 1993 reform of the structural funds were imminent and there would be a new regional policy Commissioner soon after. In that context it was unlikely that the Commission would intervene so actively in the implementation process before these changes had taken place. Moreover, it was difficult to see how the context would change so dramatically as to provide the Commission with the resources to act on additionality in the near future. In short, the government had ensured the re-domestication of the additionality issue and consequently had reasserted central government control.

### 7.7 After the RECHAR dispute

If the government's policy on additionality had prompted the European Commission to bring its resources to the domestic policy network, the government declared intention to change that policy signalled the withdrawal of Commission resources. By agreeing to release all outstanding UK grants, the Commission immediately conceded key financial resources and allowed the government to recapture lost political legitimacy. And, while the Commission in theory could repeat its intervention, in reality it was unlikely there would be such favourable circumstances in which to do this for some time. Despite this, the Commission was ultimately prepared to reach agreement on the basis of an exchange of letters in which the government provided little detail. While both sides again knew that this would probably not be the end of the additionality issue in the UK, for the time being, both the Commission and the government were prepared to settle for a re-defining of the rules of the game over the implementation of regional policy. The Commission had not secured a guarantee for there to be additional spending in the UK, but had improved the means through which additionality could be assessed through the government's explicit commitment to providing transparency.

While the government's clear concession on transparency was an achievement for its opponents, the Commission's readiness to settle the dispute largely on this basis suggested that Commissioner Millan and his Commission colleagues had pushed the government as far as thought possible with the resources available to them. To have pushed the UK government any further may have had consequences for the Commission in other policy areas, and this defined broad limits beyond which DG XVI could not go. Moreover, Commissioner Millan faced more practical pressures to reach agreement with the government.

The structural fund programme period came to an end in 1993 and without an agreement early in 1992, the Commission would have had to make a decision about what to do with the outstanding funds earmarked for the UK. In short, Commissioner Millan would have had to contemplate plans to re-direct outstanding funds, most likely, to eligible regions in other member states.

Yet for the Commission to take the decision to re-direct these funds elsewhere would have been politically explosive. In reality, and despite Commission threats, this always appeared unlikely to happen. Thus, the government was not alone in facing a major dilemma as the RECHAR dispute went on. Commissioner Millan had suspended payments to the UK,

which for political reasons beyond concerns about regional policy, would most probably have been made to the UK before the end of 1993. Thus, the Commission and the government were engaged in a waiting game, with each trying to call the other's bluff. Ultimately, the potential electoral costs of a party split on the issue forced the hand of the UK government first.

### **Private assurances**

There was, however, another factor which suggests that the resources held by the Commission during the RECHAR dispute were not as great as they appeared at the time. Commissioner Millan admitted after he left office that in 1988 the Commission had given the UK government assurances in writing that the UK would not be affected by the new additionality regulation. As Commissioner however, he took the view was that these assurances, given before he was in office, were not binding:

"This was not done by me and was not an official Commission decision. It could not override what was in the regulations and in the end the Government accepted this and gave way" (Millan, 1995)

While this interpretation of the deal struck in 1988 may be a valid one, it is also an interpretation that would necessarily leave the UK government feeling aggrieved at Commissioner Millan's claims to acting legitimately over the

issue. Political bargains are often a mix of formal and informal agreements, and while it is not unusual for informal bargains to be interpreted differently by new office-holders, failure to stick to informal agreements as part of the 'rules of the game' can undermine future relations.

In the case of the RECHAR dispute, this failure of the Commission to adhere to this agreement goes some way to explaining the government's indignation at the Commission's persistence over additionality and may also go some way to explaining why the Commission was quick to settle when the opportunity arose. Thus, it may be that the balance of political legitimacy understood by Commission and UK government negotiators during the dispute was slightly different to that made apparent to the public: an indication perhaps, of the less public areas of the policy-making process which are more difficult to report because deals are struck informally, rather than within formal sessions. In this case, however, because this informal agreement effectively provided Commission consent for the government to continue non-compliance with additionality, it was not in the interests of either party to make this a central issue publicly.

While this hidden agreement did not make a vital contribution to the 'rules of the game' which governed the

RECHAR dispute, it is an important illustration that there can be a gap in the public perception of the rules operating in a particular set of negotiations and the perception of those more directly involved. Overcoming this gap is part of the task of research.

### **Implementing the new agreement**

Both the context and significance of the February 1992 agreement are clearer with hindsight than they appeared to most observers and many practitioners at the time. Rather than a clear victory for the Commission, the agreement amounted to a short-term public embarrassment for the government and some short-term financial concessions. The government did not interpret the agreement as a binding commitment to provide additionality but as a deal which allowed itself and the Commission relief from the pressures the dispute brought.

Thus, while the dispute did illustrate the Commission's ability to galvanise available political and financial resources to some effect, even at the 'high point' of its control of these resources, the policy outcome remained unclear. The Commission hoped that greater transparency would make it very difficult for the UK government to circumvent additionality regulations in the future. The



government knew that the impending general election bought it time in which civil servants could devise a means through which transparency could be provided while maintaining a system through which additionality could be interpreted in line with the agreement with the Commission, but with no impact on overall public spending levels. Alternatively, the problem could have been one faced by a new government.

Yet understanding the EU regional policy process through the policy networks approach shows that without Commission intervention, the government would not have responded to additionality requirements of the 1988 structural fund regulations any differently to those that had gone before. After the 1988 reform of the structural funds, Commission intervention meant that the balance of resources within the domestic networks shifted sufficiently against central government to secure policy change on additionality, albeit less substantially than was initially apparent.

#### 7.8. Additionality: a question of sovereignty?

The public expenditure implications of EU regional policy have meant that from the beginning, it has been a matter of high political saliency for national governments. Hence, the major decisions over regional policy have taken place either at summits or in the general council of foreign

ministers, rather than among ministers more immediately responsible for regional policy. The handling of the debate at the apex of the decision-making process reflected the extent to which the issue was politicised at an early stage, reflected in the pork-barrel politics of the first allocations.

Yet the desire of national governments to control regional policy-making has conflicted with the importance the Commission has attached to the development of a genuine EU regional policy (chapter one). Additionality has been at the centre of this conflict. When the Commission has not been frustrated by national governments at supranational level over additionality, it has found the national government gatekeeper difficult to by-pass at the implementation stage where domestic priorities have been an obstacle. The implementation of the agreement which ended the RECHAR dispute illustrated this.

Despite the February 1992 agreement, the fact remains that the majority of actors in the ERDF networks at all levels outside of UK central government - and at least some within - believe that the UK government still does not apply the additionality principle in keeping with the spirit of the regulations, even if it does so technically. The main difference now between those who defend UK government policy on additionality and those who criticise it, has less to do

with technicalities and more to do with arguments about control over the financial impact of regional policy should be in Brussels or in London.

On one side of this argument is the view held by the Commission and its supporters about the need for a genuine supranational policy instrument (chapter one). The alternative view, taken by the UK government and its supporters, interprets ERDF funds as 'our money' as Mrs Thatcher was said to describe them (DoE official, 1995). In this view, the dispute over additionality is a dispute about which political institution should control what are seen essentially as UK public funds. For those who take this view, additionality is a question of sovereignty and as the funds in question are essentially UK public funds, then it follows that the UK government should control their domestic impact.

Within the UK intergovernmental networks, it is well established that central government has ultimate control over financial matters. However, in the emerging political arena of the EU regional policy, these matters are still contested. The negotiations over the reform of the structural funds and the dispute over additionality provide evidence of this. However, the issue of sovereignty over EU regional funds is complex and while the position of UK government has remained constant, that of the Commission, at

least publicly, appears to have changed since the end of the RECHAR dispute.

In the context of the 1988 reform, the confidence of the Commission was sufficient that it was prepared to challenge the UK government's control over public expenditure, to the extent that additionality required this. The RECHAR dispute revolved around the issue of whether the UK government should increase its public expenditure to demonstrate that EU funds were additional. Yet in the post-1993 reform context, former Commissioner Millan suggested that the Commission had no brief to challenge the primacy of national governments over this:

"The UK government, like all central governments, has to have power over public expenditure overall. Even in a country like Greece which is more dependent on Commission support, the Commission can't tell the government what the overall public spending levels should be. The Commission's concern is that funds are properly used" (Millan, 1995).

This statement appears to contradict the Commission strategy of announcing the RECHAR programme after the UK had set its public expenditure levels for the programme period. The very intention of this strategy was to coerce the UK government into making additional public expenditure cover available to local authorities for RECHAR, which would have increased overall public spending levels. Further, if public expenditure in the UK were not increased as a result of EU receipts it is difficult to see what other arrangement

would meet the Commission's concern 'that funds are properly used'. Since the creation of a regional fund, additionality had been deemed crucial to their 'proper use'. This is why additionality has been a feature of the regulations throughout and why the Commission has placed such a strong emphasis on the principle.

The Commission statements on additionality given for this research have attempted to defend the outcome of the RECHAR dispute as a success while simultaneously defending the right of the UK government to decide on overall levels of public expenditure. Technically this paradoxical position is sustainable, on the basis that the Commission is concerned with additionality for its programmes. The Commission can and does now argue that cuts in UK public expenditure which coincide with ERDF receipts may be unconnected and thus outside its remit. In reality, however, the information provided to the Commission since the RECHAR dispute provides convincing evidence that the UK government has simply substituted expenditure on ERDF projects for domestic expenditure on projects of a similar nature. This is clearly a breach of the additionality principle the Commission pursued during the RECHAR dispute.

The Commission believed the UK government breached the additionality principle before 1992 and Commission officials probably believe in private that it is doing so again. Yet

to admit this publicly would be for the Commission to acknowledge the relative failure of the RECHAR dispute to meet its main objective, and, by implication, to acknowledge the extent of the continuing dependence of the Commission on the voluntary cooperation of national governments for the successful implementation of regional policy. The Commission had insufficient resources to meet the main objective of the RECHAR dispute and by 1995 appeared to have considerably less.

Yet there is a view of the sovereignty of regional funding which differs from that of the UK government and one which the Commission's actions in the past have reflected. This is the view that when national governments agree to regulations in the Council of Ministers they agree to 'pool sovereignty'. This would suggest that once national governments have agreed regulations, they should be implemented in line with those regulations. In this sense, the struggle over additionality is an illustration of the tension between national sovereignty and integrative policies which has been considered a central feature of the development of the EU (see William Wallace 1983, p429).

For now, however, the issue of additionality has been relegated by the Commission. The state of the Union means that other matters are more pressing and the Commission has fewer resources with which to try to force the issue. Yet

the principle of additionality remains central to the creation of a genuine EU regional policy, and as such, may well be returned to when its advocates have more favourable circumstances.

## 7.9 Partnership

While agreeing to the partnership principle in the EU-level negotiations over the 1988 reform of the structural funds, the UK government remained unenthusiastic about its desirability. However, as both the 1988 and 1993 structural fund regulations designated national governments as the 'competent authority' in each member state, UK central government understood that its domination of domestic regional policy networks would allow it considerable scope for controlling the partnership arrangements.

### 7.9/1 The operation of regional partnerships

These partnerships can be considered, in Rhodes's terms, policy communities, characterised by: "stability of relationships, continuity of a highly restrictive membership based on shared service delivery responsibilities and insulation from other networks and invariably from the general public." (Rhodes 1992, p78, cited in chapter one). Regional civil servants and local authority personnel meet

on a routinised basis in the programme monitoring committees and sub-committees and in between are required to maintain regular contact to ensure the decisions of the PMC are implemented. There is a shared objective among all officials at this level of implementation to 'get the money spent': a concern, as noted above, with project additionality. Disagreements about global additionality are dealt with elsewhere (see above) and do not constitute a fundamental breach of the fundamental objective of regional partnerships to ensure projects are developed. Nonetheless, the interview material collected for this research showed that relations on the regional PMC's are asymmetrical and have been problematic in most regions (chapter six).

As the 'competent authority' designated in the structural fund regulations for administering the funds, central government has been able to monopolise the key positions in the regional partnerships and play the gatekeeper role at this level of the policy process. Central government officials chair the programme monitoring committees and the technical and sub-regional committees which feed into them. Central government also has power, within the broad outlines of the regulations, to select the 'other partners' and also decides on how frequently meetings are held.

In short, the structural fund regulations given central government a high degree control over the key political and



thus effectively financial resources at the implementation stage. Central government's ability to set the agenda, control meetings and designate other partners means that where it has a strong view on an issue, it generally prevails. Thus, it has been able effectively to 'ring fence' a proportion of structural fund receipts for projects which would otherwise have very probably been financed by the DTI. Where other partners have achieved things, these have generally been at the margins and dependent on 'the priorities of the government' (chapter six).

The evidence suggests that the partnership arrangements in some regions at least have been tolerated rather than embraced by central government. In Wales, this appeared particularly evident where local authorities claimed they were treated as 'a pain, rather than a partner' in a relationship characterised as 'them and us' (chapter six). In more than one region, local authority officials referred to the 'other partners' as the 'partners', quite unconsciously, suggesting confirmation of the 'them and us' argument view of relations with central government.

Relations in Scotland were generally better than elsewhere, perhaps explaining the reluctance of one major authority to explicitly criticise the government's position on additionality after the RECHAR dispute, despite the widespread enthusiasm for a new campaign against this

position elsewhere. A suggestion perhaps, that this authority benefited from informal information that such a move might be detrimental to its structural fund receipts. This was certainly the view of that particular local authority.

The arrangements in Scotland were helped by the existence of an independent secretariat in one region, envied elsewhere. But rather than decentralizing the process by creating independent secretariats in other regions, there were fears within local government that decision-making would be centralised further by government selection of local authority representatives replacing local government autonomy to choose. By 'hand-picking' generalists to replace development specialists, local authorities faced a reduction in the informational resources which had been the most significant counterweight to the political and financial resources of the government.

Central government domination of the regional partnerships became more complete after the 1993 reform when the Commission became less involved at this level. While maintaining a presence at the regional PMC level, the Commission withdrew personnel from sub-committees, for which, two reasons were cited. Officially, this decision was in line with the interpretation of subsidiarity which left implementation primarily a domestic matter. However,

in practical terms, sub-regional involvement over-stretched the Commission's resources and these were unlikely to be enhanced by a decision of national governments keen to maintain the domestic gatekeeper position.

Yet the Commission retains ultimate responsibility for how funds are spent and if they are not spent in accordance with the structural fund regulations, can utilise its financial powers, as in the RECHAR dispute. Within this constraint, however, central government has considerable control over financial resources through its ability to approve project submissions at the PMC and ultimately through DTI.

Thus, within the domestic networks, central government has a high degree of control. However, local authorities and increasingly, other partners, have informational resources. The political resources of other partners are limited to the vague rights of participation included in the structural fund regulations. As a partner on the PMCs, the Commission is able to have political influence in ensuring that regulations are adhered to, but these leave considerable room for central government interpretation, particularly after the 1993 reform. Ultimately, the Commission has significant financial resources, but in practical terms these are potential resources which are only mobilised in extreme circumstances, the RECHAR dispute being the most notable example.

Despite central government's near monopoly of resources in the domestic networks, the regional partnerships continue to function: local authority officers and other partners generally acknowledge the controlling position of government officials and work within the constraints this sets on the basis that a minimum level of influence is better than none , at all, and for the immediate future, even less influence appears to be the only alternative available.

#### 7.9/2 New actors

As noted in the section above, the discussion about domestic EU regional policy networks has to take account of the increasing role played by new actors, following central government's policy of promoting their involvement after the RECHAR dispute (chapter four). While new actors had a limited impact on local authority ERDF receipts or within the domestic networks before the end of the 1988-93 programme period, new actors had begun to mobilise and by the time post-1993 programme funding was allocated the local authority share of receipts had fallen substantially (chapter six).

When new actors became more involved in the regional partnerships after 1993, local authorities responded by

adapting their role to stay centrally involved. The ease with which local authorities accepted this was probably in recognition of their weak position within the domestic networks, which meant that any resistance to this new development would in the long term do them more harm than good (chapter six): a lesson learned perhaps from the RECHAR dispute itself. Moreover, local authorities were quick to see the new actors as allies against central government in the bargaining over structural fund allocations (chapter six).

Thus, while in the short term, the 'divide and rule' impact of new actors strengthened central government control over regional policy, it was not certain that this would be a long term benefit, particularly as new actors began experiencing some of the frustrations in dealing with central government that had been a feature of the local authority experience for two decades. Additionality, was again emerging as an issue, but this time, for non-local authority actors.

On March 10 1995, Wayne David MEP press released a document leaked from the government funded Welsh Development Agency (WDA) showing how it planned to use grants from the ERDF to substitute for Welsh Office grants. An extract from a draft of the WDA corporate plan stated that the income it would receive from ERDF would "decrease the requirement" for Welsh

Office grant assistance. While this in itself appeared to prove strong evidence that additionality was being denied, critics believed their case was made stronger by the fact that the incriminating wording had been removed by the time the final version was produced. Mr David suggested this document was of considerable importance in that it was,

"the first occasion that concrete evidence has been produced which shows that a government agency is breaking a regulation which has the force of law"  
(David W, 1995)

At the time of writing, this matter had been taken up by both the Commission and the European Court of Auditors and the outcome was not yet known.

While at this stage, the 'evidence' from the WDA draft corporate plan has been the most significant illustration of additionality being denied to non-local authority actors, there was also much rumour and anecdotal 'evidence' about the denial of additionality to other agencies since 1993. But again, even where evidence can be provided that central government grants to development agencies, TECs and others has been reduced by amounts similar to 'additional' receipts from ERDF, the problem critics face is that of proving that such reductions would not have occurred anyway. This is the problem of establishing the counterfactual which dogged local authorities, the Commission and others for almost two decades. This requires, as former Commissioner Millan put it, 'reading what is in ministers minds'. This task appears

to be even more difficult after 1993 than it was under the 1988 regulations.

While at this stage, the full implications of broadening the range of actors involved in the domestic structural fund networks is unclear, it cannot be assumed that this will be in the long term advantage to central government. While previously, central government only had to outweigh the resources of local authorities in the domestic networks, usually a manageable task, new actors brought new resources which under certain circumstances might be mobilised alongside those of local government and even the Commission. The prospects for this are not immediate, but the involvement of new actors brought a degree of uncertainty to central control of the domestic networks, which may provide new hope for those enthusiastic for a Europe of the Regions.

#### 7.10. Theory: problems and prospects

##### 7.10/1 Assessing the gatekeeper concept

The concept of national government as gatekeeper resisting unwanted policies from Brussels has proven a helpful metaphor for considering the UK government's position in relation to EU regional policy-making at both EU and domestic levels. In particular, this metaphor has been

helpful in highlighting the consistency of the government's position on additionality throughout the policy process and in doing so, has helped to emphasise the linkages between different stages of the policy process.

#### 7.10/2 Assessing liberal intergovernmentalism

Regional policy-making has traditionally been seen as intergovernmental and Moravcsik's work, because of its modifications to existing intergovernmental approaches to accommodate the importance of domestic politics in particular, provided the most appropriate starting point for considering EU-level decision-making for this research.

Moravcsik's liberal intergovernmentalism was criticised at the beginning of this chapter. In short, its main weaknesses for this research in addressing EU-level decision-making lay in its under-theorisation of the role of the Commission and in its liberal model of domestic political processes to explain the UK government's negotiating position on the structural fund reforms.

Moreover, while this research did not disprove the key proposition that national governments are the most important actors in the regional policy process, it did suggest that the relative influence of actors fluctuated at different stages of the policy process and over time within the same



stages of policy-making. In short, the description of EU regional policy-making as essentially intergovernmental has some merit, but may fail to capture the complexities of the policy process.

Neglect of the implementation stage of policy-making was a particular weakness in Moravcsik's model. While it may be argued that this was not Moravcsik's concern, the argument here is that the full significance of EU-level decision making can only be understood when policies have been implemented. For this reason, the gatekeeper concept was extended to theorise the actions of the UK government at the implementation stage of regional policy to provide a more complete picture of the policy process.

A further problem with Moravcsik's model lay beyond the immediate concerns of this research but is worth commenting on because it is a problem common to other contemporary theories of EU-level decision-making. This problem relates to the insufficient consideration given to explaining factors external to European governments which may influence the circumstances under which they are likely to cooperate. Moravcsik argues that: "International agreement requires that the interests of dominant domestic groups in different countries converge" (1993, p487). Thus, the Single European Act which signalled a commitment to greater integration is explained in terms of the convergence of interests of

dominant domestic groups in the dominant nations within the EU.

Moravcsik's framework for understanding the circumstances under which governments are likely to cooperate would be stronger with more focus on factors external to the EU system. Sandholtz and Zysman (1989, p96) provide greater insight at this level of analysis by suggesting that "structural change was a necessary, though not a sufficient condition for the renewal of the European project". Greater analysis of structural change may help to explain more fully why the preferences of EU governments converge at certain times and diverge at others. In doing so, this would provide a fuller understanding of the factors which explain the nature and pace of European integration and the policy changes related.

### 7.10/3 The utility of the policy networks approach

While intergovernmentalism provided the gatekeeper metaphor, the policy networks approach provided the tools with which it was possible to assess how central government played this role in the domestic arena where regional policy was implemented and informed consideration of EU-level decision-making.

### **The Rhodes model: typology**

While not the most important part of the policy networks model, the typology of the Rhodes model did assist in explaining the various formal and informal channels through which EU regional policy is made at the implementation stage.

In the terms set out by Rhodes (chapter one), it was possible to describe the regional structural fund partnerships as having the characteristics of policy communities. At national level, exchanges on additionality before 1988, took place through the national intergovernmental network (chapter one). After 1988, and particularly during the RECHAR dispute, these formal exchanges were supplemented by more informal lobbying on additionality, particularly by the CCC.

The CCC was an organisation that was not part of the formal intergovernmental network which provided local authorities with regular access to ministers and civil servants. Consequently, much of CCC's lobbying work during the RECHAR dispute was targeted more widely toward MPs, MEPs, and the media. Similar work was undertaken by local authorities individually. What developed during the RECHAR dispute, was in Rhodes' terms an issue network (chapter one), which

included a large number of participants with a more limited degree of interdependence than was evident in the formal intergovernmental network.

However, while it was helpful make distinctions between different types of regional policy networks, there was a high degree of overlap in terms of membership. For example, local authority officers involved in regional networks were often also connected directly or indirectly with national associations, and often, CCC. Thus, when issues related to 'global' additionality were raised at PMC's that could not be dealt with in that network, officers were able to pass on information to national associations to deal with through the intergovernmental networks or to CCC to promote in the issue network.

There was also an overlap in membership between CCC and the national associations. Councillors in CCC served on the committees of national associations, notably the AMA and COSLA. Indeed, at one point the Chair of CCC was also Deputy Chair of the AMA policy committee. This brought home to those involved the distinction between the two organisations and the networks through which they could have influence. While the AMA had the ear of government on a regular basis, this status was conditional on behaving in a manner acceptable to government. The CCC secretariat on the other hand, had no such status and thus had only the

limitations placed on it by its own membership, which were not great during the RECHAR dispute. Where the AMA secretariat might issue to the media a carefully worded criticism of government policy on additionality, CCC officers could be more direct. In short, CCC had less to lose, but was often forced to use channels with less direct impact on government than those available to the national associations.

In 1986, Rhodes described the ERDF network as an issue network, the least integrated type. The evidence collected for this research suggests that this description is no longer precise enough. The creation of regional partnerships in particular has changed this. But while in the 1980s and early 1990s, the main national and regional networks were essentially intergovernmental, by the mid-1990s, this was already changing with the increased involvement of non-governmental actors in the regional policy process. At regional level, non-governmental actors were already well represented on PMCs.

At national level, local authorities continued to work through the intergovernmental networks. Other partners, such as TECs and development agencies had separate channels of communication with central government. At the time of writing, there was no joint organisation to represent the 'other' partners at national level.

### **The Rhodes model: power dependence**

If the initial value of the policy networks approach was in mapping out actors involved and ordering information, more substantive value was provided by the concept of power dependence (chapter one). This allowed for a greater understanding of the relative influence of actors in shaping policy outcomes at the implementation stage.

Through understanding the importance of resource exchange within networks it was possible to explain the relative influence of actors over additionality in terms of their possession and ability to mobilise resources. Of particular importance for additionality were political, financial and constitutional-legal resources. The main conclusion to be drawn from considering the additionality issue in terms of resource distribution was of the continued dominance of central government in the domestic networks because of its control of key resources. If there is a criticism to be made of the policy networks approach at the meso-level it is that the power dependence concept deserves greater prominence in the policy networks literature.

Power dependence facilitates the understanding that power is situational:

"Power is a relationship of one social actor to another and it is specific to a situation. Power enjoyed on one occasion may not be transferable to other sets of conditions... because power is inherently situational, it is dynamic and potentially unstable. Force, violence, and coercion aside, voluntary compliance may fluctuate over time, even reversing itself dramatically among the same set of actors (Knoke 1990, p2).

This would appear to be a particularly important feature of power in the rapidly changing political arena of the European Union and was certainly illustrated in relation to additionality.

But where an approach accepts power as situational, it must also accept the limitations of the application of research findings across policy sectors and over time. Only through detailed research was it possible to reach firm conclusions over additionality. This was one issue within a policy sector, within a specific time period. While these conclusions will aid understanding of the additionality issue in future and to a lesser extent help to explain developments in related areas, these conclusions are not intended to lead to generalisations about the policy-making process. In short, the policy networks approach does not provide a theory of decision-making but the tools through which theories might be informed.

**The Peterson model**

The main use of the Peterson model for this research was the distinction drawn between super-systemic and policy-setting decisions made at supranational level. The findings of this research illustrated that among institutional actors, national governments were the most important at both levels of EU decision-making, but that the Commission had relatively more influence at the policy-setting stage through its agenda-setting powers.

While the Peterson distinction works well in this context, the suggestion that 'history-making' decisions are taken at European Union summits by the European Council (Peterson 1995a) is potentially less helpful. To attempt to judge in advance which level of the policy-process will provide history-making decisions may encourage assumptions about the relative insignificance of other levels of policy-making in the way that traditional approaches to EU decision-making have done. This research has illustrated for example, that decisions taken at the policy implementation stage may have more lasting importance than those taken at other levels of the process which traditional approaches would assume to be of more significance.

While the Peterson model develops the policy networks approach to considering the EU-level of decision-making, like Moravcsik, Peterson leaves unconsidered the importance of changes in the international structure which may shed



light on why governments are more likely to look to international cooperation at certain times, but not at others. That is, explanations for the process of European integration may require consideration of external as well as internal factors.

### **Policy networks and macro-theories**

"If the devil is in the detail, then policy networks... may come into their own" (Richardson 1993, p14).

As this research stressed the interconnectedness of different stages of policy making, and in particular the argument that implementation can play an important part in determining policy outcomes, it became clear that existing approaches to studying the European Union have in common the desire to explain only parts of the policy-making process. The proponents of the policy networks approach make this explicit, by describing it as a 'meso-level' theory. Dowding has suggested this emphasis on the meso-level is a consequence of the neo-pluralist roots of the policy networks approach:

"pluralists, often sceptical about the need for a theory of the state, tend to look at the micro-, or at most the meso-level for explanations" (1994, p64).

However, policy network analysts themselves suggest the importance of macro-theories, and argue not only that policy

network analysis can be applied in conjunction with a range of macro-theories, but that:

"it is important that the concept be so located and that it be done in a self-conscious manner if it is to explain continuity and change in policy outcomes.'  
(Rhodes and Marsh 1992, p20)

However, it is true that the policy-network approach emerged from perceived shortcomings in existing neo-pluralist approaches and is perhaps best understood in this context. Yet it may be the case that the policy network approach may break from its focus on the meso-level to consider macro-level issues of power. Dowding suggests if we take theoretical models as 'descriptions which denote the important structural features of social situations...' it may be possible to apply the approach at the macro-level. In one model, the actors may be real people, in another organisations and in a third, social groups or classes" (1994, pp 64-65).

While Dowding's appraisal of policy networks is critical, it is interesting that his 'alternative' to the Rhodes model is strikingly familiar. He suggests a bargaining model of the policy process in which:

"differing outcomes in policy networks will depend upon the relative resources of the bargainers and the manner in which they use these resources" (1994, p72).

Whether this 'alternative' represents a misreading of Rhodes work on power dependence due to the fact that this concept

is often hidden away in the policy networks literature, or alludes to differences to the Rhodes model of bargaining which are too subtle to be perceptible from this statement is unclear. What it appears to suggest, however, is confirmation of the argument made earlier that the existing policy networks literature will be strengthened when power dependence is given greater prominence. Thus far, too much of the debate on the literature has centred around network typology and the utility of network classification at the expense of power dependence which provides most help in explaining policy outcomes.

#### 7.10/4 Recent theoretical developments

It would be inappropriate to complete this research without considering theoretical work produced most recently and which was stimulated in part at least by the 1988 reform of the structural funds and the RECHAR dispute.

McAleavey (1992a) (chapter six) responded to the initial outcome of the RECHAR dispute by suggesting that this illustrated that the Commission now occupied a more central position in the regional policy process. To his credit, McAleavey acknowledged soon after the publication of his 1992 work that this assessment was premature (1992b). Whereas McAleavey did not make any attempt at model-building

as a consequence of the 1988 reform and the additionality dispute, Gary Marks (1993) did.

Marks (1993) suggested that a weakness in the traditional conceptualisations of EU policy-making, namely intergovernmentalism and neofunctionalism, was that they missed a "crucial element in the whole picture, namely, the increasing importance of subnational levels of decision-making and their myriad connections with other levels" (Marks 1993, p392). Marks argued that:

"we are seeing the emergence of *multilevel governance*, 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, p392).

Moreover, Marks (1993) suggested that the 1988 reform of the structural funds and the RECHAR dispute were both strong evidence of what he described as the emergence of 'multi-level governance:

"while the doubling of structural funding in 1988 at the Brussels summit resulted from member state bargaining, the institutional reforms that were agreed by the Council a year later were drawn up by the Commission... and this blueprint, with only minor revisions, was approved by the member states" (Marks 1993, p399 and p401).

On the RECHAR dispute, Marks (1993, p403) argued:

"Several aspects of the conflict - the way in which local actors were mobilised, their alliance with the Commission, and the effectiveness of their efforts in shifting the government's position - confirm the claim that structural policy has provided subnational governments and the Commission with new political resources and opportunities in an emerging multilevel policy arena."

While both McAleavey's and Marks's assessments of the RECHAR dispute were not inaccurate, both failed to consider the implementation of the agreement reached. However, Marks was accurate in his observation that the 1988 reform provided the Commission with new political resources, although an application of the policy networks would have provided the same conclusion. Moreover, the policy networks approach, with its emphasis on implementation has illustrated that the outcome of the 1988 reform represented a snapshot of the respective influence of the various actors in a particular historical context, the most significant aspect of which was the super-systemic decisions taken by member states over the single market programme and the enlargement of the Community to include Portugal and Spain. There was no certainty that the context of the 1993 reform would be similarly conducive to the exercise of Commission influence and events confirmed that the context had indeed changed significantly by that time. Thus, the importance of the 'new' political resources available to the Commission could only be judged once they were tested over a significant period of time and by 1993, these 'new' political resources appeared less substantial and more transient than was initially apparent.

There is, therefore, a danger that the merits of the multi-level governance approach may be undermined unless it incorporates means through which the impact of apparently important decisions can be judged through to policy outcomes over a period of time. As Rhodes (1986, p101) put it:

"For rather obvious reasons, the initial decision to do something seems to be the most important part of policy-making. The awareness has grown, however, that the initial objectives can be substantially transformed as they are put into practice"

#### **Pollack**

Mark Pollack (1995) provided the most recent contribution to the debate on studying EU structural policy at the time of writing. Pollack's argument is essentially, although as he put it, not 'mindlessly' intergovernmental. Central to his work was the point that:

"Member states... establish the institutional context within which both the Commission and regional governments act, and it is within this intergovernmental context that the precise roles and influence of supranational and subnational actors can best be specified" (1995, p362).

While there can be no argument from the findings of this research that national governments remain the most important actors in the regional policy sector, Pollack's claim overstates the degree to which national governments control

the institutional context in which policy is made. The 1988 reform of the structural funds is a good example.

Pollack, along the lines suggested by Moravcsik, stated that the context of the 1988 reform was favourable for the exercise of Commission authority as member state preferences "converged around a radical reform of the Funds which had been rejected by key member states, such as the UK, in previous reform negotiations" (1995, p372). Despite this, Pollack's reformulation of intergovernmentalism acknowledged that the Commission's agenda-setting powers were important in securing agreements on Community Initiatives (1995, p375) and implementation arrangements (1995, p385), notably the partnership requirements, which shaped part of the institutional framework after 1988. However, along the same lines as Moravcsik, Pollack suggested that power of the Commission which allowed it to secure these agreements was given by national governments and could also be taken away at their discretion. This provides the basis of his explanation for the outcome of the 1993 reform negotiations which were characterised by a swing back to national control over regional policy-making.

While it has been acknowledged in this research that the Commission was provided with a favourable context within which to advance its regional policy ambitions in 1988 due to decisions taken at super-systemic level, the argument

presented here diverges with Pollack's suggestion that the power available to the Commission to secure its objectives was in the gift of national governments. Rather, it has been argued in this thesis, that the agenda-setting powers of the Commission have developed beyond those originally prescribed by national governments.

Through its close involvement with regional policy since 1975, the Commission has accumulated informational resources independently of decisions taken by national governments. These have enhanced its ability to set the agenda. Further, these resources cannot simply be taken away by a decision of the Council of Ministers. While it might be argued that the Council could take the decision to transfer the agenda-setting role of the Commission to another institution, there is nothing to suggest that this institution would not similarly accumulate informational resources over time which could be used in bargaining with national governments.

While it is true that the distribution of other resources outside the immediate control of the Commission, were more important than its agenda-setting powers in determining the general thrust of both the 1988 and 1993 reforms, the Commission's agenda-setting powers were a factor in shaping the institutional context on both occasions. Clearly, the Commission's agenda-setting powers were more effectively mobilised in 1988 when the balance of other resources gave



the Commission greater scope for acting. Yet in 1993, when the distribution of other resources constrained the scope for Commission action more tightly, the Commission's agenda-setting powers still provided the Commission with bargaining resources with which to influence the outcome of the negotiations.

As the original prescription of agenda-setting powers made national governments dependent on the Commission for information, so the increase in these powers over time has increased this dependence. Thus, when national governments decided to reassert control over regional policy in the 1993 reform, they were dependent on the Commission to make detailed proposals.

While Commission proposals can be rejected, and indeed were in 1993 as they had been in previous reform negotiations, it is difficult to accept Pollack's inference that the Commission's influence over the 1993 reform was negligible. Even if it is easy to accept that the overall package fell some way short of what the Commission would have preferred and that the institutional context in which structural policy will be made until the next reform has strengthened the position of national governments considerably, the Commission remains centrally involved in the policy process and has independently-accumulated bargaining resources, which provide it with a degree of independence in reform

negotiations. The degree to which these were important in 1993 would require empirical investigation, but even in the terms set by the intergovernmentalist framework, it would be reasonable to assume that the 'bargaining space' provided by the diverging interests of national governments in the 1993 negotiations would have allowed the Commission some scope for mobilising its informational resources to shape agreement. This was certainly a feature of the 1988 reform negotiations when the Commission used these resources to advance the claims of the demandeurs, as indeed it had done in 1975. While there may have been greater convergence of member state positions during the 1993 negotiations than there was in 1988, and thus less bargaining space in which the Commission could operate, the range of issues under discussion and the relative intensity of preferences of national governments towards each issue would necessarily have provided some scope for the Commission to influence the eventual agreement.

#### **Pollack assessed**

While the general argument made by Pollack about the importance of national governments over regional policy is not disputed, his initial claim about the degree of completeness with which national governments control the policy process appears over-emphasised. Interestingly, however, as Pollack's initial argument is tested in relation

to the empirical evidence, it softens. In the very last paragraph the emphasis on national government dominance is slightly different from earlier in the paper:

"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 experience by member states" (1995, p385) (my emphasis).

The description of the Commission as an 'independent' actor in a play written 'essentially' by member states contrasts with the earlier and firmer statement that member states 'establish the institutional context within which both the Commission and regional governments act' (cited above). This is a subtle difference, but at least hints that if national governments are the authors of the play in which other institutions act, the Commission may be making a contribution which is not listed by Pollack on the authorship credits. This may be because the Commission's influence is difficult to assess. However, it is perhaps better to suggest that 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 at the moment, national governments contribute the bulk of the script.

## Final comments

Despite concerns that Pollack has underestimated the independent resources available to the Commission, his conclusions about the gatekeeper role of national governments remaining essentially intact concur with the findings of this research. Thus, the disagreement with Pollack here is largely over emphasis rather than with the general thrust of his argument.

Yet the apparent haste with which Pollack drew conclusions from the outcome of the 1993 reform negotiations has echoes of the immediate reaction to the outcome to the 1988 reform negotiations and the RECHAR dispute that prompted Marks and McAleavey to come to very different conclusions about the relative influence of actors over regional policy-making, which have since been modified.

While Pollack might argue that his foundations for re-stating intergovernmental theory on the basis of the 1993 reform were sounder than those of Marks and McAleavey after the 1988 reform because of supporting evidence from pre-1988 accounts of regional policy-making that stressed the underlying resilience of national governments, a different picture might be presented if the Commission's role was taken as a starting point instead of national governments.

Conversely, it could be argued that the history of regional policy prior to 1993 was characterised by the steady advance of the Commission's influence, even when circumstances were not particularly favourable. As this research has illustrated, the seeds of some of the Commission's major achievements in 1988, notably the introduction of Community Initiatives, were sown in previous reform negotiations (chapter two). Thus, if the next reform of the structural funds were to demonstrate Commission progress, the 1993 reform might be re-interpreted from this approach as a blip in a history of Commission advancement towards its objective of a genuinely supranational regional policy.

While this scenario is speculative and not a projection based on the conclusions of this research, it is presented primarily to illustrate the need for caution in reaching bold conclusions about the policy process on the basis of decisions taken at a particular moment in time, particularly when previous attempts to do this have revealed that such decisions can take on a different meaning within a relatively short time-span. There appears a tendency in the recent attempts to theorise regional policy-making to emphasise differences in theoretical positions that are more apparent than real: an attempt to put clear water between competing theories when the water is muddied and the theories as complementary as they are conflictual.

The current debate surrounding EU regional policy-making is between those on one side who explain the process as essentially intergovernmental (Moravcsik, Pollack) and those who suggest the emergence of multi-level governance (Marks, Hooghe). The problem for intergovernmentalists is in accounting for the role played by other actors in the process, notably the Commission, without undermining their key proposition that national governments dominate the process. The problems for multi-level governance theorists is in justifying the importance they attach to other actors, particularly subnational actors, while acknowledging that national governments remain the major players in the process. In reality, the two approaches are no longer that far apart as they have attempted to account for a policy process where the influence of national governments, the Commission and other actors has fluctuated considerably in the past decade at different stages of the policy process. This problem stems primarily from attempting to construct a general theory of policy-making in a rapidly changing political environment where the relative influence of existing actors is not settled and where new actors are entering the process at an accelerating rate to make attempts at general theory more difficult.

While this research has contributed to the debate about general theories of EU regional policy-making, it seems clear that this debate is no longer about fundamental

questions of power between the respective actors but about emphasis. National governments are seen to be dominant: the controversy is around the question of how complete and how lasting is this dominance. While these are important questions, the answers to these questions have swung back and forth according to the evidence from the most recent structural fund reform.

Given the unsatisfactory nature of recent attempts at general theory based largely on observations of the most recent structural fund reform negotiations, the approach taken in this research has been to observe more closely the role played by a single government throughout the policy process in its attempt to achieve its objectives in clearly defined areas of regional policy: additionality and partnership. While the gatekeeper concept was adopted from intergovernmentalism to theorise that role, this research makes no claim for a new general theory. Instead, the approach developed here, with the focus on individual governments, is described as the 'Extended Gatekeeper' approach. From the conclusions of this research it is possible to sketch an outline of this approach which could be applied in other case studies.

#### 7.10/5 The Extended Gatekeeper approach

Drawing on the analytical approaches discussed in this thesis, it is possible to point to the following assumptions of the Extended Gatekeeper approach as it might be applied to empirical investigation of the role played by an EU member government on a particular issue, or related issues throughout the policy process. In particular, this approach may be most useful when applied as a framework of analysis to understand the behaviour of a government at the implementation stage of decisions it opposed unsuccessfully at EU-level.

This approach refers to issues rather than policy sectors for two reasons:

- policy sectors in the EU are broad and to attempt to analyse a government's response to a whole sector may be less rewarding than focusing on important individual or related issues;

- related issues do not necessarily fall neatly within the same policy sector (for example, structural funds as sidepayments for agreement on the SEA and enlargement).

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**Assumptions of the Extended Gatekeeper approach**



1. The various stages of the EU policy process are linked and to explain fully government action at one stage of the process may require understanding of government action at others. Thus, for the fullest explanation, it is less important at which point in the policy process investigation begins than it is to consider the related stages of the policy process from the formulation of the national government position to policy outcomes.

2. For analytical purposes, it is helpful to distinguish between EU-level decision-making and the implementation stage. Following Peterson, it may also be useful on some issues to distinguish further at the EU-level where there is an obvious linkage between decisions. The example in this research is of the relationship between decisions over the SEA and enlargement to the commitment to significant reform of structural policy.

- Where this distinction is useful the terms preferred here are 'systemic' to describe what Peterson outlines as 'super-systemic' and 'sub-systemic', for what Peterson refers to as 'systemic'. This is because Peterson's terminology might be confusing, particularly as the term 'super-systemic' appears a more appropriate term to describe processes 'above' or external to the emerging EU system of governance which are not accounted for in Peterson's model (see below, point 10).

- The distinction between EU-levels of decision should be made without prior assumption about which level of decisions are history-making. Rather, systemic is used here to refer to decisions taken, usually by the European Council, with the explicit intention of significant impact on the process of European

integration (for example: enlargement, treaty revisions and the SEA). The lasting impact of these decisions, or 'history-making' consequences, should be assessed through empirical investigation. Sub-systemic decisions are those made without explicit intention of significant impact on the process of European integration. The bulk of EU-level decisions will fall into this category (eg, structural fund reforms).

3. A member government will seek to defend what is defined as its interests on a particular issue or set of related issues at a given time against unwanted policy developments resulting from EU membership at all stages of the policy process. This is the notion of the extended gatekeeper role. It is assumed that where a member government unsuccessfully opposes a decision at EU-level it will use its resources in bargaining at the implementation stage to secure the most favourable policy outcome within the range of possible outcomes prescribed by the previous decision-making stages.

4. The definition of a member government's interests in any given policy sector may change over time and may be influenced by a range of actors within and outside national government.

5. The policy networks approach provides the tools to facilitate understanding of how the government's negotiating position is decided on a given issue. This approach can be

applied to consider relations within government (the core executive approach may also inform this); and between government and other domestic interests. Analysis of non-domestic influence on the definition of government interests may be more difficult to evaluate, but application of the network approach to this level of the policy process has begun in some case studies and may provide the way forward. This approach may be enhanced if used in conjunction with material from the globalisation literature which recognises that the process of globalisation has undermined the nation state's capacities for decision-making but that 'it remains a pivotal institution' (see Rhodes 1996).

6. EU Policy-making involves a process of bargaining at both the EU-level and the implementation stage in which actors exchange resources to secure favourable outcomes. A member government will seek to mobilise the resources it controls to resist unwanted policy outcomes from EU membership at both EU-level and during implementation, while recognising other actors will do likewise to achieve their policy objectives.

7. Resource exchange takes place within perceived 'rules of the game' which all participants recognise must be observed if negotiations are to be successful. These rules of the

game change over time as the boundaries of what is permissible are continually tested. Nonetheless, governments have an understanding of what is acceptable negotiating behaviour in a given circumstance and an understanding that unacceptable behaviour which may lead to breakdown of negotiations may have adverse implications for the obstructive government on other EU issues in which it has a greater interest in successful negotiations.

8. The importance of different types of resources available to governments and other actors will fluctuate across policy sectors and over time.

9. While this research found that political, financial and informational resources were important in the EU regional policy network, and these types of resources may provide the starting point for other case studies, empirical investigation may reveal the importance of additional types of resources in other networks.

10. This approach suggests that for the fullest explanation of the role played by a single national government in the EU policy process, account has to be taken of the influence of factors external to the EU system which influence EU-level

bargaining. For neatness, these factors might be referred to as 'super-systemic' to facilitate the connection between external influences and the systemic and sub-systemic levels of decision-making internal to the EU system. In particular, greater analysis of structural change in the global political economy may help to explain more fully why the preferences of EU governments for systemic change converge at certain times and diverge at others. Greater explanation of super-systemic factors would facilitate a fuller understanding of the context in which systemic and thus sub-systemic decisions are made.

The model sketched above acknowledges that the description of the EU regional policy process as essentially intergovernmental has some merit, but suggests that this description may fail to capture the complexities of the relationships involved in a dynamic policy process. It therefore outlines an approach which takes an individual national government as its main reference point for considering the policy process, while assuming that the influence of actors fluctuate at different times and at different levels of the policy process. Power is assumed to be situational to some extent: to what extent can only be measured through empirical investigation which gives the fullest consideration of the role played by all actors throughout the policy process.

This approach advocates a shift of emphasis away from general theories to describe a policy process which is not only different across EU policy sectors but which appears to be characterised by differentiation within a single sector over short time periods and across issues. While this approach reduces the possibility of generalisation from case studies, it improves the possibilities of precision.

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This research used information from the following local authorities:

**England (68)**

Allerdale Borough Council  
Alnwick District Council  
Ashfield District Council  
Barnsley Metropolitan Borough Council  
Bassetlaw District Council  
Birmingham City Council  
Blackburn Borough Council  
Blyth Valley Borough Council  
Bolton Metropolitan Borough Council  
Bradford City Council  
Bridgnorth Borough Council  
Burnley Borough Council  
Caradon District Council  
Carrick District Council  
Chesterfield Borough Council  
Chorley Borough Council  
Copeland Borough Council  
Cleethorpes District Council  
Cleveland County Council  
Cornwall County Council  
Darlington Borough Council  
Doncaster Metropolitan Borough Council  
Durham City Council  
Durham County Council  
Easington District Council  
Glanford Borough Council  
Halton Borough Council  
Hartlepool Borough Council  
Holderness Borough Council  
Hull City Council  
Humberside County Council  
Hyndburn Borough Council  
Kerrier District Council  
Langbaugh on Tees Borough Council  
Leeds City Council  
Lincolnshire County Council  
Mansfield District Council  
North Cornwall District Council  
North East Derbyshire District Council  
North Tyneside Metropolitan Borough Council  
North Warwickshire Borough Council  
North Yorkshire County Council  
Nottinghamshire County Council  
Pendle Borough Council  
Plymouth City Council  
Restormel Borough Council  
Rossendale Borough Council  
Sandwell Metropolitan Borough Council

Carmarthern District Council  
Ceredigion District Council  
Dyfed County Council  
Gwent County Council  
Llanelli Borough Council  
Meirionnydd District Council  
Merthyr Tydfil Borough Council  
Mid Glamorgan County Council  
Neath Borough Council  
Newport Borough Council  
Ogwr Borough Council  
Pembrokeshire District Council  
Port Talbot Borough Council  
Powys County Council  
Radnorshire District Council  
Rhondda Borough Council  
Rhuddlan Borough Council  
Rhymney Valley District Council  
South Glamorgan County Council  
Swansea City Council  
Torfaen Borough Council  
Vale of Glamorgan Borough Council  
West Glamorgan County Council  
Wrexham Maelor Borough Council

### Interviews

A total of 76 interviews were conducted for this research with officials and politicians from local and central government, the European Commission and the European Parliament.

### Meetings/Conferences Attended

Additionality Working Group, convened by the Coalfield Communities Campaign, Town Hall, Barnsley, 28 April 1993.

'RECHAR and Additionality', a meeting between RECHAR authorities and Alan Seatter (DG XVI, European Commission) organised by the Coalfield Communities Campaign, Town Hall, Barnsley, 5 May 1993.

'The Additionality of European Grants', A one day conference for local authorities organised by the Coalfield Communities Campaign, Mechanics Institute, Manchester, July 1, 1993.