Readings

Required
- Allen (2010)
- Hooghe and Keating (1994)
- Bachtler and Mendez (2007)

Recommended
- Hix (2005), pp. 289–295
- Dinan (2005), pp. 373–385
- Hooghe (1996)
- Hooghe (1998)
- Rynck and McAleavey (2001)
- Bailey and De Propris (2001)
- Barry (2003)
- Barry, Bradley and Hannan (2001)
- Blom-Hansen (2005)
- Behrens and Smyrl (1999)
What are the Structural Funds?
**Figure 9.2** Relative composition of EU expenditure, 1980–2001 (per cent)

*Source: European Commission (2000a).*

**Figure:** Source: Hix (2005)
The explicitly redistributive component of EU policy.
The Earlier Funds

- **European Social Fund (ESF)**
  - Established 1958 (following Treaty of Rome).
  - Training / unemployment / economic disadvantage.
  - Allocated at regional level.

- **European Agricultural Guidance and Guarantee Fund—Guidance (EAGGF-Guidance), then European Agricultural Fund for Rural Development (EAFRD)**
  - Non-CAP rural development.
  - Allocated at regional level.

(Adapted from Allen (2010, Box 10.1).)
The European Social Fund
Article 123 of the Treaty of Rome (1957):

In order to improve employment opportunities for workers in the common market and to contribute thereby to raising the standard of living, a European Social Fund is hereby established in accordance with the provisions set out below; it shall have the task of rendering the employment of workers easier and of increasing their geographical and occupational mobility within the Community.
ESF Funding Across Countries

**Figure:** Source: DG Employment, Social Affairs & Inclusion
ESF Funding Across Countries

Figure: Source: DG Employment, Social Affairs & Inclusion
A Historical Overview

European Social Fund in Ireland

Figure: Source: DG Employment, Social Affairs & Inclusion
Priority 1: Upskilling the workforce

*Funding training for companies and employees: raising the number of qualified workers, boosting their employability as well as their companies’ productivity/competitiveness.*

*Addressing other skills shortages in the economy, such as increasing the supply of graduates in the high technology sector.*

*Funding accredited vocational schemes: providing jobseekers with the skills they need to gain suitable employment, be productive at work and progress on to better jobs.*

[Source: DG Employment, Social Affairs & Inclusion]
Priority 2: Activation and participation of groups outside the workforce

*Rolling out special courses for disadvantaged groups: people with disabilities and youngsters.*

*Ensuring those with poor education or skill levels, such as early school leavers, are not isolated or vulnerable to economic downturns; providing basic skills and a second chance for people outside the mainstream.*

*Combining education with skills improvement and work placement schemes*

*Introducing equal opportunity measures to encourage more women into the workplace.*

[Source: DG Employment, Social Affairs & Inclusion]
The Later Funds

- **European Regional Development Fund (ERDF)**
  - Established 1975 (following UK and Ireland accession).
  - Private investment and infrastructure.
  - Allocated at regional level.

- **Cohesion Fund (CF)**
  - Established 1994 (following Maastricht Treaty).
  - Redistribution to member states with GDP p.c. below 90% EU average.
  - Allocated at member-state level.

- **Financial Instrument for Fisheries Guidance (FIFG)**
  - Established 1999.
  - For “structural measures in fisheries”, etc.
  - Allocated at regional level.

... ostensibly to offset potential negative effects of SEA.

... and following accession of Greece (1982), and Portugal and Spain (1986).
Figure 1: Structural Fund Receipts, 1975–99


Figure: Source: Barry, Bradley and Hannan (2001)
Introduced principles of:

- “programming (based on strategic, multi-annual plans instead of a project-based approach)”
- “concentration (on a limited number of objectives and focused on the least developed regions)”
- “additionality (to ensure that EU funding does not substitute for national expenditure)”
- “partnership (the participation of national, sub-national and supranational actors in the design and implementation of programmes”).

(Bachtler and Mendez, 2007, 537)
Objective 1

“eligibility was based on regions having an average GDP per head less than 75 per cent of the Community average”.

Objective 2

“(industrial areas in decline) had three main eligibility criteria — unemployment rates, percentage of industrial employment and employment decline relative to Community averages”.

Objective 5b

“(rural areas) used the designation criteria of levels of socio-economic development, agricultural employment and agricultural income”.
Source: DG Regional Policy
Figure: Source: Allen (2010, Table 10.3)
European regions have not experienced a process of economic convergence, as claimed by the Commission, as measured in terms of GDP per capita, over the period 1989–97. Rather, inter-regional differentials peaked in the early 1990s and have flattened out since (with some recovery for regions in countries benefiting from the Cohesion Funds since 1993).

Bailey and De Propris (2001, 409)
The focus on poorer regions. . .
. . . coupled with the focus on regional ‘governance’ . . .
. . . meant structural fund administration met bureaucratic short-comings.

Both planning and implementation proved problematic in the regions of several countries (e.g. Spain, Italy, Greece)

(Bailey and De Propris, 2001, 471)
Maybe a more positive interpretation from Ireland.
What is Achieved?

Irish GDP growth

![Irish GDP at market prices graph](image)

**Figure**: Source: OECD
Figure 1: Structural Fund Receipts, 1975–99


Figure: Source: Barry, Bradley and Hannan (2001)
Figure 2: CSF 1989–93 and 1994–99, Addition to Level of GNP, Percentage Points

Figure: Source: Barry, Bradley and Hannan (2001)
Side payments

- ERDF to facilitate UK accession (Allen, 2010).
- CF to facilitate SEA/EMU (Lange, 1993; Pollack, 1994).
A concern for ‘integration’.
A concern for greater ‘cohesion’ amongst the population of Europe.
A sense that investment may increase income.
Why Do They Exist?
A Cross-National Perspective

Figure: Source: Allen (2010, Table 10.3)
But why *regional* policy?
Figure: Source: Allen (2010, Table 10.3)
Commission Preferences

- Regional policy as empowering for the Commission.
- Money to spend.
- Fosters connections with sub-national government.
Policy-making (in general) characterised by, to varying extents:

- Intergovernmental bargaining.
- Supranational technocratic decisions.
- (EP bargaining.)
- Supranational legal judgments.
- Regulations.
- directives transposed into national law.
Policy-making characterised by:

- Intergovernmental bargaining over national net contributions/benefits.
- Commission guidance on priorities.
- ...but national government application for funds for project expenditure largely of their own choice.
Relevant actors are ‘the centre’ and national governments.
Policy-making characterised by:

- Intergovernmental bargaining over national net contributions/benefits.
- Commission priority setting geographically and programmatically.
- Eligible sub-national units of government applying directly for funds.
- Eligible sub-national units of government directly spending funds.
Relevant actors are ‘the centre’ and national governments
and sub-national governments.
The emergence of ‘multi-level governance’.
Shift to ‘multi-level governance’ as reduction of national government control.

1988 introductions of ‘partnership’ and ‘programming’ relevant.
The expectations of increased regional mobilization have been partly met. EU cohesion policy has become the niche for the demands of weaker and poorer regions and it has become difficult to ignore challenges formulated in cohesion terms. The European Commission has been actively using cohesion policy to generate regional and local demands for greater cohesion and to provide them with an organizational underpinning.
Fostering a New Governance?

Changing Influence?

(Hooghe and Keating, 1994, 383)

Comparison of the negotiation round for the 1994–9 with the 1989–93 period shows that the input of regional and local actors has been enhanced [...]. Yet their influence remains limited to modest decision-shaping, rather than direct decision-making over resource allocation.
On the question of whether this frantic activity has given regional interests in southern countries a greater grip on the ECU 60 billion structural funds budget, the answer is a qualified no, or at least not yet. They have gained a voice, but their power has been altered to a much less significant degree.
Other Consequences?

- Relative policy failure according to Bailey and De Propris (2001).
- Regionalism where it wasn’t before — e.g. Greece, Ireland, Scandinavians (Hooghe and Keating, 1994, 378).
- Really a side-lining of national governments?
‘The Renationalisation Thesis’

- Where 1988 saw increase in Commission power (and consequent embrace of sub-national government)...
- ...1993 saw slippage to national influence on eligible regions in the form of ‘additional provisions’.
- As did 1999.
- As did 2005/6.
- Bachtler and Mendez (2007, 544) somewhat sceptical of the thesis as:

  the majority of cohesion policy spending is still being spent in regions/countries determined by a strictly applied EU-wide criterion under the convergence objective, which accounts for 81.7 per cent of the cohesion policy budget for 2007–13 [...]. Although numerous, the ‘additional provisions’ collectively accounted for less than 2 per cent of the cohesion policy budget.
New Pressures

- Accession adds financial pressure.
- Net contributors questioning on-going convergence spending.
  - If converged, then don’t need it.
  - If not converged, then it doesn’t work.
- Can *EU-level* regional policy really be justified, as opposed to national policy?...
Figure: Source: Allen (2010, Table 10.3)
Figure: Source: Allen (2010, Table 10.3)
In policy terms, market integration and ‘completion’ has been the core of the European project.

‘Negative integration’ and liberalisation have been prime tools.

Legislation removing barriers to trade and state intervention.
Some scholars have seen Europe as a ‘neo-liberal’ project.

Based on an internally coherent economic model (Hooghe, 1998; Behrens and Smyrl, 1999, e.g.).

In this model, regional inequality will be fixed by the process of market integration itself.

(Hooghe, 1998, 457)

For neoliberals, markets should be insulated from political interference by combining European-wide market integration with sovereign political regulation vested in national governments. This should generate competition among these governments in providing a national regulatory climate that mobile factors of production find attractive.
In contrast...
Proponents of regulated capitalism want to create a European liberal democracy capable of regulating markets, redistributing resources, and shaping partner among public and private actors. They contend that the single market works more efficiently if political actors provide collective goods such as European-wide transport and communications infrastructure, information networks, workforce skills, and research and development.

(Hooghe, 1998, 459)
**Cohesion Policy as Market Intervention**

- Structural funds as bureaucratically-directed expenditure.
- Intervention to change market outcomes.
- In the form of directed infrastructure investment...
- ...and also human capital investment.
EU cohesion policy as we have known it since 1988 is under threat. This contestation is best understood as part of a deepening struggle over EU governance, pitting neoliberals against proponents of regulated capitalism.

(Hooghe, 1998, 457)
In the beginning, it seems likely that both the Commission and the outside experts on which it relied were influenced by Myrdal’s work itself. Subsequently, a number of the model’s central notions were internalized by the units within the Commission responsible for management of the Structural Funds.

My survey of 140 top Commission officials in 1995–97 shows that 42 per cent give unconditional support to key components of a model of European regulated capitalism (extensive welfare services, social dialogue between both sides of industry, redistributive regional policy, and industrial policy within a market economy), while 39 per cent express reservations and 14 per cent reject it outright.
In Summary

- Growth of structural funds expenditure from 1957 onwards.
- Mixed evidence of success of structural fund spending.
- So why have it? Side-payments.
- Some have argued there have been consequential (and relatively unintended) governance shifts.
- Some have argued that there is a contradiction between market liberalisation and structural funds.
DG Employment, Social Affairs & Inclusion
http://ec.europa.eu/social/home.jsp?langId=en
http://ec.europa.eu/employment_social/esf/members/images/graph800px/graph2_ie.jpg
http://ec.europa.eu/employment_social/esf/members/images/graph800px/graph1_ie.jpg
http://ec.europa.eu/employment_social/esf/members/images/graph800px/graph4_ie.jpg
http://ec.europa.eu/employment_social/esf/members/ie_en.htm

DG Regional Policy

Wikipedia

OECD
http://stats.oecd.org


