

CHAPTER 10

Cohesion Policy
A New Direction for New Times?

Ian Bache

Introduction	244	Implementation	255
History	245	Additionality	255
The emergence of cohesion policy	246	Partnership	256
The Cohesion Fund	247	Policy modes	258
Reform in the 1990s	248	Conclusion	260
The 2006 reform	249		
The 2013 reform	251	FURTHER READING	261
Explaining cohesion policy	252		

■ Summary

Cohesion policy is the European Union’s (EU’s) main redistributive policy and is aimed primarily at reducing the social and economic differences between EU regions. Academic analysis of cohesion policy has generated insights that have framed wider debates about the nature of the EU as a whole, most notably through the concept of multi-level governance. Moreover, while cohesion policy has taken up a growing share of the EU’s budget, now accounting for more than one-third of all EU spending, its purpose, effectiveness, and durability have been increasingly challenged. This chapter reflects on these issues and suggests that a more rounded concept of cohesion policy, guided by broader indicators of success, could be a route to a more sustainable policy in the longer term, not least politically.

Introduction

Cohesion is a broad and often vaguely defined concept.^{†,1} How it is used in the EU context—and specifically in relation to this policy domain—is often misunderstood and generally from usages in other contexts, not least within member states. Part of the confusion is because a number of terms are employed in this policy area, sometimes interchangeably—cohesion policy, structural policy, and regional policy being the most common—although each has a precise meaning. In essence, the EU's cohesion policy refers to the governing principles of the EU structural funds and the Cohesion Fund. This policy aims mainly at reducing the social and economic differences among Europe's regions by promoting economic growth, job creation, and competitiveness. It accounts for around one-third of the total EU budget and has been described as 'the world's largest development policy based on a single legal and institutional framework' (McCann and Ortega-Argilés 2013: 428). It is also one of the most visible of EU policies due its prominent signage at project sites.

There is a reasonably familiar 'story' to be told of cohesion policy—one that weaves its narrative around the periodic reforms negotiated at EU level, their implementation within member states, and what all of this tells us about the relative power and influence of key actors. This is a policy area that has been thoroughly researched empirically, typically guided by academic debates concerned with changes in the role and power of national governments vis-à-vis the Commission and, for reasons specific to the policy area, sub-national actors. The field has generated considerable insights into inter-institutional dynamics that have framed wider debates about the nature of the EU as a whole through the concept of multi-level governance (see Chapter 2).

Yet while this is a familiar story in some respects, an important feature is the fluctuation in the power and influence of key actors on different issues, at different levels and stages of policy-making, and over time. Thus, while the contours of the debate have been largely shaped by supranational–national theorizing and, more specifically, by the debate on multi-level governance, contestation within this debate has been prominent. However, that this debate has been continued around common themes since the first policy steps in the 1970s has provided a sustained level of empirically informed theorizing that is perhaps unique among EU policies. As such, an important part of this chapter is to do justice to this contribution.

Yet the chapter also seeks to 'add value' to the existing literature in two ways. The first is to reflect briefly on how the cohesion policy process relates to the 'five modes' of policy-making set out by Wallace and Reh (see Chapter 4). The second is to reflect critically on the notion of 'cohesion policy' more than is usual in the 'familiar story'. Both issues may be of interest in taking research forward. The chapter is organized in five sections. The first section covers the history of the policy, outlining its various reforms from the 1970s to the present day, and the second looks at the main theoretical debates. The third section examines the implementation of cohesion policy in practice and the fourth section assesses cohesion policy in terms

[†] The chapter is dedicated to the memory of Dave Allen who did an excellent job on this topic for many years and was a great guy. We all miss him.

of Wallace and Reh's five policy modes. The chapter concludes by arguing that cohesion policy may need a new direction to demonstrate its value more effectively, but also suggests that the policy has made an important political contribution that is not always acknowledged.

History

The EU's cohesion policy has from the beginning been a moving target, with multiple funds distributing ever-larger amounts of EU funding according to an ever-more elaborate set of policy guidance. As such, it is important to understand how the policy has evolved historically to understand the nature and purpose of the policy as it currently exists. As a starting point it is useful to explain some key terms relating to the policy field that were mentioned in the introduction. *Regional policy* refers primarily to the European Regional Development Fund (ERDF) and was most prominent in the 1970s. *Structural policy* refers collectively to the ERDF and other funds, including the European Social Fund (ESF) and the guidance section of the European Agricultural Guidance and Guarantee Fund (EAGGF) that were explicitly brought together by the Structural Funds Regulation of 1988. *Cohesion policy*, which became most prominent from the 1990s, incorporates these and other funds and has the broadest meaning conceptually. All of this is explained further later in the chapter.

While economic and social disparities across and within member states were understood to be significant from the creation of the European Economic Community (EEC), it was not until the 1970s that any serious attempt was made to address them. Agreement to create the ERDF at the Paris summit of 1972 reflected the increased salience of regional disparities in the context of the impending enlargement to include the UK, Denmark, and Ireland. The UK government in particular pushed for the fund, needing something tangible to persuade a reluctant public and parliament of the benefits of EEC membership. The other influential factors in the creation of the ERDF were a push towards economic and monetary union (EMU) provided by the Werner Report of 1970 and Commission plans to curb member states' aid to industries.

Agreement on the ERDF finally came only when the Irish and Italian governments threatened to boycott the Paris summit of 1974 over the issue. The size of the initial fund (1.3 billion European units of account) disappointed the *demandeur* member states, but was nonetheless considered an important policy breakthrough. It would provide up to half of the cost of development projects in eligible regions, with the remaining cost met from domestic sources. This principle of co-financing (or 'match-funding') aimed to ensure domestic commitment to EU-funded projects and has remained a fixture of regional and cohesion policies ever since.

It was not until 1988 that the regional fund and other structural-funding instruments were integrated into a cohesion policy, within a more coherent supranational

framework. Until then, national governments prevented a more effective supranational approach. They ensured that the ERDF was distributed according to national quotas thrashed out by governments, rather than by Community criteria. Moreover, each government demanded a quota, even though this meant that relatively prosperous regions in wealthier member states would receive funding at the expense of poorer regions elsewhere. This carve-up of distributions meant funding was dispersed over 40 per cent of the total EU population rather than concentrated on areas of greatest need.

At this stage, the regional policy process was reasonably characterized as a 'virtual paragon of intergovernmentalism' (McAleavey 1992: 3). Governments dominated not only the EU-level process, but also policy implementation. In particular, they were reluctant to accept the additionality requirement that 'the Fund's assistance should not lead member states to reduce their own regional development efforts but should complement these efforts' (Commission 1975). On this issue, the UK government was particularly difficult (Wallace 1977). Resistance to this early supranational principle of regional policy remained even after the Commission secured greater influence after 1988 (see the following section), and the struggle over this issue became an important barometer for measuring the relative strengths of national, supranational, and sub-national actors. Additionality apart, the only other notable supranational policy aspects before 1989 were experiments with non-quota programmes after 1979 and with multi-annual programmes after 1984 that proved to be important for later policies.

The emergence of cohesion policy

In the 1986 Single European Act (SEA), cohesion had a treaty base for the first time and the birth of cohesion policy proper followed in 1988 with a major reform of the structural funds. Tarschys (2003: 55) describes how Jacques Delors, the Commission president, and his collaborators cast around for a new label to describe the reformed policy to signal a more solidaristic approach and considered a number of options before settling on the concept of 'economic and social cohesion', which has its roots in the preamble to the Treaty of Rome (1957). Both the completion of the single market programme and enlargements to include Greece, Portugal, and Spain provided impetus for strengthening cohesion. The former raised the possibility that poorer regions would be left behind in a more open and competitive European market and the latter brought two new member states with a significant number of relatively poor regions. In this context, member states agreed that financial allocations to the funds would double by 1993. The reform brought together the ERDF with two other financial instruments, the ESF and the guidance section of the EAGGF (see Chapter 8). The aim was to coordinate their activities more effectively with each other and also with those of the European Investment Bank (EIB) and other financial instruments (Commission 1989: 11). The reform was set out in three main regulations that came into effect on 1 January 1989.

BOX 10.1 **Priority objectives of the 1988 reform**

- **Objective 1:** promoting the development of 'less developed regions', i.e. those with per capita GDP of less than, or close to, 75 per cent of the Community average under 'special circumstances' (ERDF, ESF, and EAGGF—Guidance Section).
- **Objective 2:** converting the regions seriously affected by industrial decline (ERDF, ESF).
- **Objective 3:** combating long-term unemployment—assisting people aged over 25, unemployed for over a year (ESF).
- **Objective 4:** assisting the occupational integration of young people, i.e. people below the age of 25 (ESF).
- **Objective 5:** (a) accelerating the adjustment of agricultural structures (EAGGF—Guidance Section); (b) promoting the development of rural areas (EAGGF—Guidance Section, ESF, ERDF).

The reform contained important policy revisions. The *additionality* requirement was clarified and was accompanied by three new principles: *concentration* focused funds on areas of greatest need; *programming* required regions to develop strategic multi-annual plans to ensure coherence between projects funded; and *partnership* required that funds be administered through regional partnerships within each state, consisting of representatives of national government, regional (or local) government, and the European Commission.

Following the principle of concentration, structural-fund expenditure was focused on five objectives, three with an explicit regional dimension (see Box 10.1). The bulk of spending was focused on the most disadvantaged regions eligible under Objective 1 (approximately 65 per cent of total structural-fund allocations). In addition to the 'mainstream' funds allocated according to the five objectives, approximately 9 per cent of the ERDF budget was retained for 'non-quota' 'Community Initiative' programmes. These were programmes devised and overseen by the Commission to meet outstanding regional needs, often focusing on particular types of regions such as those suffering from the decline of a dominant industry (e.g. coal, steel, and ship-building).

The Cohesion Fund

The Cohesion Fund was agreed in the Treaty of Maastricht of 1992 and was aimed at member states with a gross domestic product (GDP) of less than 90 per cent of the Community average (Greece, Ireland, Portugal, and Spain), not at specific regions. It funded environment and transport projects and supported up to 85 per cent of the costs: a higher proportion than for any of the structural funds. The key principles

guiding the structural funds did not apply to the Cohesion Fund. There was no reference to partnership and the decisions on projects (not programmes) to be funded were made by the Commission in agreement with the member state concerned. In terms of additionality, the preamble to the interim regulation stipulated that member states should not 'decrease their investment efforts in the field of environmental protection and transport infrastructure', but the more tightly defined principle of additionality included in the structural fund regulations did not apply. These relaxed requirements recognized the pressures on public expenditure in the context of moves towards monetary union, which were expected to be experienced most strongly in the 'cohesion four' countries benefiting from the fund. Moreover, that the types of projects funded were generally large scale and few in number meant that programming had less relevance.

Reform in the 1990s

The principles agreed in 1988 were maintained in the 1993 reform, although some adjustments were made, the most significant being to the additionality principle. The Council amended the wording on additionality to state that the principle should take account of 'a number of specific economic circumstances, namely privatizations, an unusual level of public structural expenditure undertaken in the previous programming period and business cycles in the national economy' (Council Regulation 2082/93, Art. 9). This meant that member states would be able to reduce their spending on related domestic policies without contravening the additionality requirement. Other notable developments in 1993 were the addition to the structural funds of the new Financial Instrument for Fisheries Guidance (FIFG) and the introduction of a new Objective 6 status for sparsely populated regions in response to the impending enlargement to include Austria and especially Finland and Sweden.

By 1999, the focus of reform was on preparing the ground for the accession of countries from central and eastern Europe, with an average GDP of typically around one-third of the EU average. The challenge was twofold: securing member-state agreement to a reduction in their structural-fund allocations to facilitate enlargement; and adopting measures to develop the institutional capacity and capability in the accession states that would allow them to absorb large-scale structural funding effectively. Not without the usual horse-trading between governments, agreement was reached on the principle of large-scale transfer of structural funding away from existing member states to the new members post-enlargement. On the second challenge, a number of instruments were created for the 2000–6 period. Building on the earlier Poland and Hungary: Assistance for the Restructuring of the Economy (Phare) programme, designed to strengthen economic and social cohesion and to develop administrative and institutional capacity during the pre-accession period, the Instrument for Structural Policies for Pre-Accession (ISPA) provided funding for environment and transport projects as a forerunner to Cohesion Fund allocations, while the Special Accession Programme for Agricultural and Rural Development (SAPARD) played a similar role for rural areas (see Chapter 17).

BOX 10.2 **Priority objectives of the 1999 reform**

- **Objective 1** continued to assist the least developed regions and be more strictly enforced and included the regions that previously qualified under Objective 6, which were the sparsely populated regions of Finland and Sweden.
- **Objective 2** merged the existing Objectives 2 and 5b and concentrated funds on no more than 18 per cent of the EU population, with the safety-net mechanism ensuring that no member state's Objective 2 population would be less than two-thirds of its coverage under the 1994–9 programme period.
- **Objective 3** applied across the EU, except for Objective 1 regions, to assist with modernizing systems of education, training, and employment.

Additional changes in 1999 included the concentration of funds on three objectives instead of six (see Box 10.2) and a reduction in the number of Community Initiatives from thirteen to four. There were revisions to programming to give the Commission a more strategic role, delegating more day-to-day responsibility to domestic actors. One innovation to promote the principle of efficiency was the allocation of 4 per cent of funding to be allocated to member states on the basis of programme performance.

The 2006 reform

The context of this reform was shaped by the effects of the 2004 enlargement and by the Lisbon Agenda (see Chapters 7 and 12), which accorded cohesion policy an important role. The 2004 enlargement led to a doubling of socio-economic disparities in the EU and a decrease in the average per capita income in the EU of twenty-five by 12.5 per cent, emphasizing the need for significant financial transfers among member states. The Lisbon Agenda, aimed at making the EU 'the most competitive and dynamic knowledge-based economy in the world' (European Council 2000), prioritized growth and jobs, and challenged broader notions of cohesion and policies aimed at social inclusion (see below).

The Sapir Report (2004), commissioned by European Commission President Prodi to review the EU economic system in the context of the Lisbon Agenda, set out the argument in favour of focusing aid on the new member states and recommended that 'providing money only to the new member states and to their national budgets, rather than to their regions (more of a macroeconomic than a regional approach to diversity), would be more effective' (Allen 2010: 249). This Report prefigured the Commission's (2004a) proposals for cohesion policy for 2006–13 that were set out in its Third Report on Economic and Social Cohesion.

As with previous reforms, the proposals signalled the beginning of a bargaining process. A number of states, led by the UK, argued that there should be an end to any financial transfers to the richest member states. This would reduce the gross

BOX 10.3 Architecture of cohesion policy for 2007–13

- The *convergence* priority covered those regions with a per capita GDP of less than 75 per cent of the Community average (previously covered by Objective 1).
- The *regional competitiveness and employment* priority, effectively replacing Objectives 2 and 3, acquired two strands: regional programmes to promote the attractiveness and competitiveness of industrial, urban, and rural areas; and national programmes to promote full employment, quality and productivity at work, and social inclusion.
- The *territorial cooperation* priority was built on the experience of the Community initiative Interreg, to promote cooperation on issues at cross-border, transnational, and inter-regional levels.

contributions to the EU budget of the richer states, which could then use the savings for their own regional policy purposes: a partial renationalization of policy. This proposal was eventually resisted by the Commission with the support of southern member states. However, the Commission's concession was to repackage Objectives 2 and 3 as the 'regional competitiveness and employment' objective, which was linked to the goals of the Lisbon Agenda. Moreover, member states had to ' earmark' 75 per cent of their expenditure under this objective and 60 per cent of that under the new 'convergence' objective in pursuit of the Lisbon Agenda.² Alongside these two objectives in a simplified architecture was just one more, for 'European territorial cooperation' (see Box 10.3). While giving member states responsibility over the designation of specific geographical areas, the repackaging of these objectives also allowed the Commission to retain its influence over cohesion policy in the new member states (Bachtler and Mendez 2007: 545).

The Cohesion Fund became part of cohesion policy proper through being included in the convergence objective. The EAGGF and the Community Initiative Leader programme were replaced by the European Agricultural Fund for Rural Development (EAFRD) (see Chapter 8) and the FIGF became the European Fisheries Fund (EFF). Both the EAFRD and EFF were given their own legal basis and were no longer part of cohesion policy (Commission 2007c: 11). The overall cohesion policy budget for the 2007–13 period was €347 billion, 81.5 per cent of which would be spent in the 'convergence' regions.

The key principles again remained intact, with some minor amendments and a new programming instrument introduced—the National Strategic Reference Framework (NSRF)—to provide an overall vision for each member state and to tie these visions more closely to the Lisbon Agenda. The principle of *proportionality* was introduced to place limits on the amount of funding devoted to the administration and monitoring of programmes in response to criticism from longer standing member states over excessively bureaucratic Commission requirements (Allen 2010: 241).

Outside the framework of cohesion policy, a new Instrument for Pre-Accession Assistance (IPA) was introduced in January 2007. It brought together all of the existing pre-accession instruments (including ISPA, Phare, and SAPARD) into a single framework. This new instrument covered the then candidate states (Croatia, the Former Yugoslav Republic of Macedonia, and Turkey) and the potential candidate states (Albania, Bosnia and Herzegovina, Montenegro, and Serbia—including Kosovo) (see Chapter 17).

The 2013 reform

Discussions over the reform of cohesion policy for the post-2014 period took place in the context of the economic crisis and the proposals were inevitably linked to recovery. In this context, the Commission instigated a set of hearings on the future of cohesion policy, coordinated by the economist Fabrizio Barca, of the Italian ministry of economy and finance. The report that emerged criticized key aspects of cohesion policy and called for a ‘comprehensive reform’, including a concentration of priorities and changes to governance. It argued for a ‘clear and explicit distinction’ between measures aimed at increasing income and growth (‘efficiency objectives’) and those aimed at reducing inequalities (social inclusion) and for ‘greater coherence with the place-based or territorial concept’ (Barca 2009: viii). It suggested that a concentration on fewer issues that would ‘attract political and public attention to the measures implemented and enable the Commission better to focus its human resources and efforts and play a more strategic role’ (Barca 2009: viii). In particular, the report suggested the need for a system of incentives and sanctions through which the policy could foster the institutional reforms necessary for good development (McCann and Ortega-Argilés 2013: 431).

Influenced by the Barca Report, the Commission’s proposals for the post-2014 period aimed to revive some of the core purposes of cohesion policy that had been diluted in the previous two decades, including:

- a stronger contractual relationship between the Commission and member states through ‘partnership contracts’;
- a greater focus on core priorities (including a ‘territorialized’ social agenda) involving more rigorous programming, monitoring, and evaluation; and
- the institutionalization of high-level strategic reporting on effectiveness to the Council and Parliament (Mendez 2013: 646).

These proposals stopped short of the coherent place-based approach as the Commission sought to strengthen the focus on results and the effectiveness of cohesion-policy spending by tying cohesion policy more systematically to the successor of the Lisbon Agenda, the Europe 2020 strategy (see Chapters 7 and 12). However, the proposals would bring more EU-wide accountability in exchange for greater member-state control over implementation.

BOX 10.4 Cohesion policy funding 2014–20

Total: up to €325.1 billion.

- ‘Investment for growth and jobs’: €313.2 billion (€164.3 billion for less developed regions; €31.7 billion for transition regions; €49.5 billion for more developed regions; €66.4 billion for member states supported by the Cohesion Fund).
- ‘European territorial cooperation’: €8.9 billion.
- Top-up for youth employment initiative: €3 billion.

In February 2013, the European Council reached agreement on the 2014–20 multi-annual financial framework (see Chapter 9). It agreed that cohesion policy would pursue two goals: ‘Investment for growth and jobs’, to be supported by all funds; and ‘European territorial cooperation’, to be supported by the ERDF specifically. Cohesion funding overall would not exceed €325.1 billion, representing an overall reduction from 2006–13 (see the previous section), and funding for ‘investment for growth and jobs’ would take a huge share of funding (€313.2 billion: see Box 10.4).

As in 2006, a number of governments favoured partial renationalization but were opposed by a majority of governments and the European Parliament (EP). A key argument against partial renationalization was that it would undermine the integrity of the policy and could weaken the commitment of the wealthier member states to sustaining the policy in the longer term—a concern of newer member states in particular.

Explaining cohesion policy

While the Commission’s role was important in keeping the idea of regional policy alive in difficult circumstances in the 1960s and early 1970s, there is academic consensus that the major decisions on the creation of regional policy were taken by heads of government and that the Commission’s influence over financial allocations and early policy guidelines was limited (Keating and Jones 1985; Armstrong 1989; Bache 1998). The major academic debates took off over the 1988 reform when the policy became more sophisticated and financial allocations doubled.

The design of the policy framework introduced in 1989 is generally attributed to the Commission, which had long pushed for the principles of additionality, concentration, partnership, and programming, and had sought to experiment with some of these principles in ad hoc programmes before 1988. Thus, Hooghe (1996*b*: 100) argued that the Commission emerged ‘as the pivotal actor in designing the regulations’ through its ‘monopoly of initiative’. However, Pollack (1995) argued that agreement to this framework could be explained by changes in the preferences of key member states—in particular net contributors such as the UK,

France, and Germany—and as a result of the accessions of Greece, Portugal, and Spain. The preferences of the net contributors changed in three ways. First, with the Iberian enlargement, the proportion of structural funds received by the ‘big three’ member states decreased significantly. This meant that, for these governments, ‘the idea of greater Commission oversight seemed less like an intrusion into the internal affairs of one’s own state, where E[U] spending was minimal, and more like a necessary oversight of the poor member states where the bulk of E[U] money was being spent’ (Pollack 1995: 372). Secondly, the Iberian enlargement made France, like the UK and Germany, a net contributor to the EU budget, thus giving the ‘big three’ governments a common interest in the efficient use of the structural funds. Thirdly, the spiralling costs of both the common agricultural policy (CAP) and the structural funds made the level and efficiency of EU spending a ‘political issue’ of increasing concern to the governments of France, Germany, and the UK in the 1980s (Pollack 1995: 372; and see Chapters 8 and 9).

In terms of the budgetary envelope agreed in 1988, an intergovernmentalist interpretation found favour amongst most commentators. The more prosperous member states strongly supported the completion of the single market (see Chapter 5) and the doubling of the structural funds was accepted by the likely paymaster governments as a ‘side-payment to Ireland and the Southern nations’ in exchange for their political support on this (Moravcsik 1991: 62). Although not contesting this fundamental argument, Marks (1992: 198) conceptualized the side-payment argument as an illustration of forced spill-over, ‘in which the prospect of a breakthrough in one arena created intense pressure for innovation in others’, thereby linking it to a neo-functionalist analysis, and giving it a more supranationalist interpretation.

While the context of the 1988 reform gave the Commission considerable scope for advancing its policy preferences, the 1993 reform represented a reassertion of control by the member governments in key areas. A good example was additionality. The tenacity with which the Commission had sought the implementation of additionality after 1988 (see the section ‘Additionality’ later in the chapter) was met by governments effectively diluting the requirement in 1993. In addition, given the convergence criteria for monetary union agreed at Maastricht (see Chapter 7), for the Commission to pursue genuine additionality at this time would have been difficult: while additionality required member states to demonstrate additional public expenditure, the Maastricht convergence criteria limited domestic public spending. Other changes in 1993 also reflected the reassertion of government preferences. While the partnership principle was confirmed, governments remained in control of the designation of ‘appropriate partners’. The creation of a Management Committee to oversee Community Initiatives curtailed Commission discretion. In summary, the 1993 reform provided a measure of how the relative influence of actors fluctuated over a short period of time.

The dominant interpretations of the creation and operation of the Cohesion Fund in 1991 were also intergovernmental (Scott 1995: 38; Morata and Muñoz 1996). In particular, they emphasized the push given by poorer member states led by Spain—which anticipated otherwise being a net contributor to the EU budget by 1993—for

an additional compensatory financial instrument in the context of moves towards economic and monetary union (EMU).

In 1999, the key 'supranational' principles were again retained, but national governments continued to retain control of key levers relating to partnership and additionality. The reduction in the number of Community Initiatives, and of financial allocations to them, also limited the Commission's scope for autonomy and innovation. More generally, in the context of enlargement, the Commission's initial proposals were themselves relatively modest. Yet, while aspects of the reform suggested a partial renationalization, the Commission retained a key role in aspects of the policy process, such as over issues of eligibility, programming, allocating the performance reserve, and in the design and implementation of Community Initiatives.

If the 2006 reform saw national governments again shaping key aspects of the reform, it was those most likely to meet the costs. As Andreou (2007: 26) argued, the outcome 'bears much more resemblance to the financially restrictive approach of the net payers, than to the original Commission proposal supported by the less prosperous member states'. Bruszt (2008: 616) argued that the new regulations 'did not alter the "renationalizing" tendencies of the [Structural Funds] policies significantly. For the time being, the Commission does not seem to be interested in re-kindling its pro-regional activism of the 1990s'. Instead, the priority was on ensuring the effective absorption of the funds, which often meant the development of central capacity.

So, as suggested earlier, assessments of the role and influence of different actors have fluctuated over time and, as discussed later, at different stages of the policy process and in different places. However, as Bachtler and Mendez (2007: 551) suggest, it is important not to see cohesion-policy negotiations purely in terms of a struggle between the Commission and the member states. While negotiations on some issues have been adversarial, on others there has been more collaboration and consensus. Related to this point, power relations between the Commission and member states should not necessarily be conceived in zero-sum terms, in which for one party to gain the other must lose. Instead, there is evidence of positive-sum outcomes, in which both parties achieve more of their goals. Moreover, Bachtler and Mendez (2007) suggested that claims over the renationalization of cohesion policy, while valid in some respects, are less convincing when applied to the development of the principles of concentration and programming, where the Commission's influence has been greater than acknowledged in much of the literature.

The Lisbon Agenda raised fears that some of the main goals and core principles of cohesion policy would be undermined. Mendez (2013: 644) argues that: 'If anything economic goals have trumped the social and territorial dimensions owing to the Lisbon agenda's emphasis on global competitiveness, encouraging a "misconceived" and "overly narrow" focus on innovation'. Lisbonization did lead to a centralized approach in some states to promote more effective expenditure (see the section 'Partnership' later in the chapter) and was seen more generally to lead to goal-congestion and confusion (Begg 2010). In this light, it has been suggested that a subtext to the 2013 reform was the aim of re-legitimizing cohesion policy, leading to the most fundamental review since 1988 (Mendez 2013).

Implementation

While much of the literature reviewed earlier focuses on the making and periodic revision of the regulations governing structural and cohesion funds, there has also been significant attention devoted to cohesion-policy implementation. There is space here to give only a flavour of the issues covered in relation to two key principles: additionality and partnership, which have been important to conceptual reflection and development. Implementation studies have generally been structured around the themes of multi-level governance and Europeanization. The notion of *multi-level governance* refers to increasingly complex vertical relations between actors organized at various territorial levels and horizontal relations between actors from public, private, and voluntary spheres. It is a process of change characterized by the emergence of 'territorially overarching policy networks' (Marks 1993: 402–3) and one that challenges the role, power, and authority of national governments. *Europeanization* is variously defined but is taken here to refer to a process of domestic change resulting from EU policies (see Chapter 2).

Additionality

Under the additionality rule, the Commission requires member states to demonstrate that EU funds are spent in addition to any planned domestic spending and are not used to substitute for this. If member states do not comply, they risk losing funding. It is thus an important indicator of the relative influence of the Commission and member governments.

The crucial test case of the implementation of the additionality principle arose from a dispute between the Commission and the UK government, when it became apparent that the latter had not changed its non-compliance with additionality despite the clearer requirement contained in the 1988 reform. The details of the dispute are complex and have been well documented (McAleavey 1992; Marks 1993; Bache 1998), but a key feature was an alliance between the Commission and UK local authorities against the UK government. This alliance led to an apparent government climbdown in the run-up to the 1992 general election. In developing the concept of multi-level governance, Marks (1993: 403) argued that:

Several aspects of the conflict—the way in which local actors were mobilized, 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.

However, a study of the implementation of the agreement reached at the end of the dispute demonstrated that little changed in terms of additional spending on regional development in the UK (Bache 1999). Instead, it appeared that while the government had climbed down largely to defuse tension on the issue in some marginal

constituencies, once re-elected it continued to frustrate the additionality principle, but in a manner that was more difficult for the Commission to demonstrate. In other words, the 'gatekeeping' role of the national government extended deeply into the implementation process. Thus, while the interaction between the levels of government was indisputable, the outcomes from this interaction were less clear. This raised an important critique of multi-level governance—the distinction between distributed participation and distributed power—that continues to be a feature of debate. That is, while it may be clear that more actors appear to have a say over decisions, it is far less clear that this makes a difference to what is decided.

Partnership

The partnership principle introduced in the 1988 reform was widely seen as a key innovation and one that promised to outflank central-government gatekeepers by giving sub-national governments and other actors a formal role in the decision-making process. Like the additionality principle, it was a key to multi-level governance accounts of the policy area and a number of studies have since reflected on the extent to which EU cohesion policy has promoted multi-level governance and Europeanization. Hooghe's (1996c) study on the effects of the 1988 reform principles on 'territorial restructuring' within eight member states found that the implementation of the partnership principle varied considerably across member states. Actors at EU, national, and sub-national levels owned and mobilized different sets of resources in different contexts and this shaped their ability to influence the implementation process. In states where strong central governments sought to play a gatekeeper role, such as in the UK, they could do so with some success. As with the additionality dispute, sub-national actors were engaged in the policy process through the partnership requirement, but this did not necessarily shape outcomes. In more federalized states, by contrast, constitutionally stronger sub-national (regional) authorities were generally better placed to take advantage of the opportunities offered by partnership. Later research for the European Commission (Tavistock Institute 1999) confirmed this pattern of a highly differentiated multi-level governance beginning to emerge through cohesion policy.

As cohesion policy focused more on the countries of central and eastern Europe (CEECs), so much of the academic research followed. Conceptually, the debates on multi-level governance remained prominent, but often within the framework of a Europeanization process. Again, the role of the Commission in promoting multi-level governance through the empowerment of sub-national actors was a central feature. The academic consensus was that, although the Commission had sought to promote regionalization in CEECs in the early pre-accession period, as accession came closer it became pragmatically more concerned with ensuring the funds were absorbed within the enlargement timetable—even if this meant the greater channelling of funds through central ministries (Leonardi 2005: 164; Marcou 2002: 25). Research findings echoed those of earlier studies on the older member states. A study of the Czech Republic, Estonia, Hungary, Poland, and Slovenia identified national government

'gatekeepers' which were 'firmly in control' of sub-national actors—the latter being able to participate in policy-making but not significantly to influence outcomes (Bailey and De Propriis 2002).

Again, the importance of institutional traditions in different states was found to be important in shaping the nature and extent of multi-level governance emerging (Hughes, Sasse, and Gordon 2004a, 2004b). Bruszt (2008) explained how the Commission's shift to more centralized national administration of funds pre-accession was resisted in some countries and thus features of multi-level governance emerged. In these cases, a 'layering' took place in which there were marginal changes to governance, 'implying local rule transformation within a basically unchanged institution that does not challenge the dominant characteristics of the mode of governance' (Bruszt 2008: 620). The study of Austria, Hungary, and Slovakia by Batory and Cartwright (2011: 714) emphasized the limited influence of civil-society actors, concluding that 'both the EU and national governments have some way to go to secure genuine societal involvement in and control over cohesion policy'. Baudner and Bull (2013: 218), focusing on the vertical dimension of multi-level governance, found a strengthening of national government in the Italian case and the strengthening of regional government in the German case, illustrating 'institutional heterogeneity and the competition for the gatekeeper position'.

The study by Bache (2008) considered the impact of cohesion policy on Type I and Type II multi-level governance in the EU25. Type I describes system-wide governing arrangements in which the dispersion of authority is restricted to a limited number of clearly defined, non-overlapping jurisdictions at a limited number of territorial levels, each of which has responsibility for a 'bundle' of functions. Type II describes governing arrangements in which the jurisdiction of authority is task-specific, where jurisdictions operate at numerous territorial levels and may be overlapping. The study identified a trend towards multi-level governance across Europe, although this was very uneven across and indeed within countries. Moreover, the study found that while this trend was generally not due to states' engagement with the EU, it was not possible to understand the changes taking place without reference to the EU and its cohesion policy. However, the effects of EU cohesion policy were more pronounced on Type II multi-level governance than on Type I, with ad hoc functionally specific governance arrangements emerging at various territorial levels directly through cohesion policy. For the most part, this Europeanization effect was driven by rational responses to EU financial incentives, although there was also evidence that deeper learning, characterized by the voluntary adoption of EU practices in the domestic sphere, could take place in the longer term.

Recent research has examined the impact of cohesion policy and related pre-accession instruments on governance in the candidate states of south-eastern Europe. Here too a familiar story emerges of limited governance capacities—particularly but not exclusively at sub-national level—resulting in an emphasis by the Commission on centralized administration in the first phase, with a strong EU oversight. Despite this, some nascent aspects of multi-level governance have been identified in Croatia and the Former Yugoslav Republic of Macedonia (Bache *et al.* 2011).

Policy modes

Wallace and Reh set out in Chapter 4 five variants of the modes through which the EU policy process handles day-to-day policy-making: the classical Community method; the EU regulatory mode; the EU distributional mode; policy coordination; and intensive transgovernmentalism. These modes are identified as ‘a typology of ideal-types, devised with the deliberate objective of escaping from the either/or dichotomy between “supranationalism” and “intergovernmentalism”’. Moreover, no individual policy is expected to ‘fall neatly’ into one mode or another: ‘there is strong variation over time, both within policy sectors and in response to events and contexts ... hybridization across types is prolific’.

Cohesion policy is a case where hybridization is evident and, as discussed previously, there is also significant variation at different stages of the policy process. While financial allocations and the broad regulatory framework are subject to a bargaining process involving national governments and the Commission, the implementation process engages a broader set of actors and is guided by a reasonably clear policy framework that emphasizes partnership and programming, among other principles.

Thus, there are elements of the *classical Community method* evident in cohesion policy. There is a strong role delegated to the European Commission in policy design, policy brokering, and policy execution, although the earlier discussion illustrates that the Commission has at times been reined in by national governments in terms of policy design. There is an empowering role for national governments through strategic bargaining and package deals—EU funds have often been side-payments to states for agreement in other areas (e.g. enlargement, the single market). There is a distancing from the influence of elected representatives at the national level and only limited opportunities for the EP to impinge, although the influence of the EP has arguably grown over time as its powers have increased.

However, the nature of cohesion policy affords a central place to the *distributional policy mode*. Although as this is the policy most closely connected with this mode, it is worth reflecting on Wallace and Reh’s description closely. The characteristics of the distributional policy mode are set out in italics below.

The Commission attempting to devise programmes, in partnership with local and regional authorities or sectoral stakeholders and agencies, and to use financial incentives to gain attention and clients. This is a generally accurate characterization of cohesion policy, but there is significant involvement of national authorities in devising programmes, even though the Commission may have for a long time ‘attempted’ for this not to be the case. It has always happened to some degree and, if anything, the role of national authorities here has strengthened in recent reforms.

Member governments in the Council and often the European Council, under pressure from local and regional authorities or other stakeholders, engaging in hard bargaining over a limited budget with some redistributive elements. This cohesion-policy process neatly fits this description and overlaps with elements of the classical Community method.

Additional pressure from members of the European Parliament (MEPs) based on territorial politics in the regions, and an increasing role for the EP by having to give consent. Again, an accurate characterization, but this is not a feature that has been emphasized as particularly important in the academic literature.

Local and regional authorities benefiting from some policy empowerment as a result of engaging in the European arena, many of them with their own offices in Brussels, with, from 1993 onwards, the Committee of the Regions also articulating their concerns. This is a broad claim and one on which it is hard to come to firm conclusions based simply on an analysis of cohesion policy. There is no doubt that local and regional authorities have mobilized and engaged extensively since the major reform of structural policy in 1988 in particular, but the evidence of 'policy empowerment' resulting from this engagement is at best mixed and often disputed (see Jeffery 2000).

Some scope for other stakeholders to be co-opted into the EU policy process. This has undoubtedly been the case and it is hard to think of another EU policy area that has such structured participation from such a broad range of stakeholders at the implementation stage. Here the partnership principle is key and, as noted earlier, has over time broadened out the range of stakeholders seen as relevant (see Bache 2010).

Recasting of the EU budget to devote more money to cohesion or to embryonic collective goods, and proportionately less to agriculture. Again accurate: since leaping forward in financial terms between 1989 and 1993 the proportion of the EU budget allocated to cohesion policy has continued to grow incrementally, while that for agriculture has declined (see Table 10.1).

TABLE 10.1 Policies' share of the EU budget

Year	Percentage of European budget		
	Regional policy	Common agricultural policy	Size of EU Budget as % of EU GNP or GNI
1975	6.2	70.9	0.53
1980	11.0	68.6	0.80
1985	12.8	68.4	0.92
1988	17.2	60.7	1.12
1993	32.3	53.5	1.20
2000	34.9	44.5	1.07
2007	36.7	47.1	1.04
2013	38.1	43.0	0.93

Source: House of Lords (2008: 19).

Note: in this table the term 'regional policy' is taken as being synonymous with 'cohesion policy'.

Most recent have been developments that might be most closely identified with Wallace and Reh's category of 'policy coordination' and particularly the development of 'soft' policy incentives to shape behaviour rather than 'hard' methods to secure compliance. Mendez (2011) identified 'experimentalist governance' in cohesion policy in the 2007–13 period influenced by the Lisbonization process. The relevant innovations included: the joint definition of EU goals at Council level and the adoption of national strategies to guide implementation; an 'earmarking' approach to encourage spending on Lisbon-related measures; and strategic performance and review mechanisms introduced at the EU level to stimulate policy learning.

Conclusion

This chapter began by describing cohesion in the context of EU policy as broad and vaguely defined. It has multiple dimensions—social, political, economic, and, most recently, territorial—but throughout the history of EU cohesion policy it is the economic dimension that has received most attention and this has been reinforced in recent times by the Lisbon Agenda and the effects of the 2008 financial crisis. Yet there is acknowledgement in some circles that a more effective policy would require a more balanced and more complete conception of cohesion and one that recognized the close and complex interrelationship among its various dimensions. The Barca Report made the case for a 'territorialized social agenda' as part of cohesion and spoke of a 'strategy for social inclusion ... by guaranteeing socially agreed essential standards to all and by improving the well-being of the least advantaged' (Barca 2009: vii, 55). In a similar vein, the Committee of the Regions (2011) has proposed that the allocation of funds should not in the future be allocated solely on per GDP per capita, but also according to environmental and social indicators. Such arguments resonate with wider trends relating to the development of broader indicators of progress, including the EU's own 'GDP and Beyond' initiative that provides a road map of five key actions to improve the EU's indicators of progress, including greater use of environmental and social indicators and more accurate reporting on distribution and inequalities (see Bache 2013). A more rounded concept of cohesion policy guided by correspondingly broader measures of success may be a pathway to a more sustainable policy in a number of senses, not least politically. It may help in demonstrating a broader range of ways in which cohesion policy 'works' and, by promoting wider goals, help to bridge the divide between net payers and net recipients. In short, cohesion policy may need a new direction for new times.

Yet, it can be argued that the political domain of cohesion policy has proved every bit as important over the past four decades as the economic domain, and illustrates the close interconnection between different dimensions of cohesion. This is not only through the widely recognized expression of solidarity between richer and poorer parts of the EU the policy has sought to represent, but also through governing

principles such as partnership, programming, and additionality. The governing principles of cohesion policy that were advanced principally to promote economic goals have had such an impact on governance and politics that the term 'multi-level governance' is now part of the lexicon of policy-makers across the world. The term informs the development policies of the United Nations and World Bank among others and shows no sign of fading. Of course, many other forces have promoted multi-level governance in a range of contexts, but amongst EU policies, cohesion has been first and foremost.



NOTES

- 1 I would like to thank George Andreou for his advice on sections of this chapter.
- 2 According to Baun and Marek (2008), the old member states exceeded their targets while the new member states achieved 59 per cent expenditure against both targets.



FURTHER READING

Key contributions to the intergovernmental–supranational debate are Marks (1992), Pollack (1995), Bache (1999), and Bachtler and Mendez (2007). Detailed studies of policy implementation and particularly their effects on multi-level governance are: Hooghe (1996); Bache (2008); Baun and Marek (2008); and Bache and Andreou (2011). Other helpful contributions are Leonardi (2005), Barca (2009), and Allen (2010).

Allen, D. (2010), 'The Structural Funds and Cohesion Policy: Extending the Bargain to Meet New Challenges', in H. Wallace, M. A. Pollack, and A. R. Young (eds.), *Policy-Making in the European Union*, 6th edn. (Oxford: Oxford University Press), 229–52.

Bache, I. (1999), 'The Extended Gatekeeper: Central Government and the Implementation of EC Regional Policy in the UK', *Journal of European Public Policy*, 6/1: 28–45.

Bache, I. (2008), *Europeanization and Multilevel Governance: Cohesion Policy in Britain and the European Union and Britain* (Lanham, MD: Rowman & Littlefield).

Bache, I. and Andreou, G. (2011) (eds.), *Cohesion Policy and Multi-Level Governance in South East Europe* (Oxford: Routledge).

Bachtler, J., and Mendez, C. (2007), 'Who Governs EU Cohesion Policy? Deconstructing the Reforms of the Structural Funds', *Journal of Common Market Studies*, 45/3: 535–64.

Barca, F. (2009), 'An Agenda for a Reformed Cohesion Policy: A Place-Based Approach to Meeting European Union Challenges and Expectations', Independent Report prepared at the request of Danuta Hübner, Commissioner for Regional Policy (Brussels: DG Regional Policy).

- Baun, M., and Marek, D. (2008) (eds.), *EU Cohesion Policy After Enlargement* (Basingstoke: Palgrave Macmillan).
- Hooghe, L. (1996a) (ed.), *Cohesion Policy and European Integration: Building Multi-Level Governance* (Oxford: Oxford University Press).
- Leonardi, R. (2005), *Cohesion Policy in the European Union* (Basingstoke: Palgrave Macmillan).
- Marks, G. (1993), 'Structural Policy and Multi-Level Governance in the EC', in A. Cafruny and G. Rosenthal (eds.), *The State of the European Community, Vol. 2: The Maastricht Debates and Beyond* (Boulder, CO/Harlow: Lynne Rienner/Longman), 391–409.
- Pollack, M. A. (1995), 'Regional Actors in an Intergovernmental Play: The Making and Implementation of EC Structural Policy', in C. Rhodes and S. Mazey (eds.), *The State of the European Union, Vol. iii: Building a European Polity?* (Boulder, CO: Lynne Rienner), 361–90.