EU Regional Policy: the Commission and Sub-national Mobilization in Scotland

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Abstract

This study focuses on the role of the European Commission in framing EU regional policy. It traces the development of the policy to test two hypotheses. The first is that the Commission's introduction of the partnership principle created a channel of input for sub-national actors in the EU policy process, which has acted to empower them more generally. The second is that administration of the structural fund programmes enabled these actors to mobilise by increasingly engaging in policy-making activities with national governments and supranational institutions, thus expanding their role in this policy sector.

The study documents how enlargement and changes in the EU's decision-making processes gradually altered the role of the European Commission and its Monnet era image as the 'public face' of the EU. The Commission was originally intended to be the primary source of initiation of policy ideas in the Community. But, as the policy process in the EU has become more complex, involving different levels of decision-making and new sets of non-governmental actors, such ideas now tend to come from different places. They are the product of collaborative development by the EU's main institutions, and a plethora of working groups and committees at the technical level of policy decision-making. The Commission has come to be characterised as a conduit and interlocutor for polity ideas and policy ideas from all of these sources.

An illustrative case study of sub-national mobilization in Scotland is central to the work. The research was conducted as domestic competences were being devolved from Westminster. At the same time, *Agenda 2000* was being launched in the EU and took, as one of its purposes, decentralization. In the reconfigured political landscape of post-devolution Scotland, the study links two areas. Specifically, the role of the Commission in EU regional policy, and the decision by Scottish sub-national actors to use the partnership model as a frame for political and policy choices. The thesis concludes by locating its findings in the wider context of European enlargement and globalization, and reviewing the pro-active efforts of sub-national actors in Scotland to enter the debate on the future of Europe and the structural funds.

Preface

I wish to thank a number of people for their help and support with this study during the years of its preparation. Foremost among them are my supervisors, Professor John Peterson and Dr. Patricia Hogwood. They, along with my entire family, have been a constant source of encouragement throughout this entire process. My thanks are also due to the Department of Politics at the University of Glasgow, in particular to Professor Chris. Berry, who recently completed his term as Head of Department, and was always willing to provide practical advice and assistance. Ex-colleagues Dr. Ricardo Gomez and Dr. Rebecca Steffensen, Dr. Derek Hutcheson and current colleagues in the Graduate School, have provided their own individual counsel on many occasions, for which I am profoundly grateful.

The study is based on a varied literature; detailed examination of documentation from both UK and EU sources; and some fieldwork, and there are several people to whom I am indebted for their time and attention. In terms of academic and practical assistance, particular thanks are due to Dr. Laura Cram and Professor James Mitchell of the University of Strathclyde; Dr. Paul McAleavey of the European Commission; Dr. Ian Bache of the University of Sheffield; Dr. Helen Drake of the University of Loughborough; Dr. Michelle Cini of the University of Bristol; Dr. Graeme Pearce of the University of Aston and Professor Andrew Scott of the University of Edinburgh.

The fieldwork involved in this thesis was greatly assisted by the willingness of Commission officials, Commission representatives and those engaged in regional policy advisory activities to participate. The parliamentarians, policy practitioners and public officials who met with me and granted access to their meetings and documentation are too numerous to mention individually. They are, however, listed under the heading of Interviews.

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List of Diagrams

List of Abbreviations

CAP	Common Agricultural Policy
CCC	Coalfield Communities Campaign
CEEC	Central and Eastern European Countries
CI	Community Initiative
COM	Commission of the European Communities
CoR	Committee of the Regions
COREPER	Committee of Permanent Representatives
CI	Community Initiative
COSLA	Convention of Scottish Local Authorities
CP	Community Programme
CSF	Community Support Framework
DETR	Department of Environment, Transport and the Regions
DG	Directorate General (of European Commission)
EAGGF	European Agricultural Guidance and Guarantee Fund
EC	European Community
ECOSOC	Economic and Social Committee
EEC	European Economic Community
EIB	European Investment Bank
EMU	Economic and Monetary Union
EP	European Parliament
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
Euratom	European Atomic Energy Community
GDP	Gross Domestic Product
GNP	Gross National Product
GOR	Government Office in the Regions
IDO	Integrated Development Operation
IMP	Integrated Mediterranean Programme
IR	International Relations
LEC	Local Enterprise Company

MSP	Member of the Scottish Parliament
NPCI	National Programme of Community Interest
PMC	Programme Monitoring Committee
PME	Programme Management Executive
RDA	Regional Development Agency
RDP	Regional Development Programme
QMV	Qualified Majority Voting
SEA	Single European Act
SEP	Strathclyde European Partnership
SME	Small and Medium-sized Enterprise
SPD	Single Programming Document
STUC	Scottish Trades Union Congress
TEN	Trans-European Network
TEU	Treaty on European Union
TUC	Trades Union Congress
Ukrep	UK Permanent representation in Brussels

Chapter 1: EU regional policy: gateway to the future for Europe's regions?

Introduction

> States have never, except in the minds of Jacobin enthusiasts or realist dogmatists, been the sole basis of political authority and action... In the present era, states continue to maintain a formidable arsenal of powers and resources, yet changes are taking place, regions are emerging and politics is being re-shaped.
>
> (Keating 1998: 184)

This introductory chapter presents a mapped structure of the thesis and its analytical framework. The study focuses on what, it is argued, has been a previously neglected area in the literatures of political science and public policy, namely the role of the European Commission in European Union regional policy framing.[1] In tracing the evolution and development of the policy from the early 1960s to the beginning of the twenty first century, the aim here is to introduce and to test two hypotheses. The first is that the Commission's framing of EU regional policy, and specifically its introduction of the partnership principle, created 'windows of opportunity' for a more substantive input on the part of regional/local actors, and thus facilitated their involvement in EU regional policy-making. The second is that, over time, the framing process has led to a potentially enhanced role for sub-national actors in the regional policy process, and a subsequent increasing engagement in the activities of policy-making with national governments and supranational institutions.

The umbrella term employed here for such developments is sub-national mobilization, and the mutual exchange of ideas, knowledge and experience among and between these key sets of actors represents the core of this research. Overall, the thesis tracks developments in these two areas, the framing of EU regional policy and increasing sub-national involvement in this sector, to establish the extent of causal contribution of the Commission to sub-national mobilization in the European Union.

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[1] The terms European Community (EC) and European Union (EU) feature prominently in the literatures and other research materials informing this thesis. The writer acknowledges that in the strictest sense the term EC ought to be used throughout to denote the economic and social 'pillar' of the European Union and that the term EU technically describes the collectivity of the member states. But in the interests of elegance the straightforward terms Community or EU regional policy will be used throughout. Similarly as a matter of convenience the Commission of the European Communities will be referred to as the European Commission, simply the Commission, or COM. The Council of Ministers is referred to as the Council of the European Communities and post-1994 as the Council of the European Union.

1. 1 The framing approach

This thesis draws on and adapts the framing approach. The concept is rooted in a 'family' of ideas dating from the mid-1970s, when the term was used to refer to a particular way of representing knowledge, or as an analytical tool in explaining how structures give shape to the processes of social interaction and communication (see Goffman 1974). More recently, Rein and Schon (1991) applied this approach to the study of welfare policies in Western Europe and North America. They define framing as a more fundamental process: 'a way of selecting, organizing, interpreting and making sense of a complex reality...a perspective from which an amorphous, ill-defined, problematic situation can be made sense of' (Rein and Schon 1991: 263). In this study, the focus is on Community regional policy-making against the background of an evolving and developing European Union. The building of the framing approach follows the line taken by other approaches, which are informed by a recognition of the importance of ideas, values and representations in the study of public policy (Hall 1993; Sabatier and Jenkins-Smith 1993; Radaelli 1995; Sabatier 1998), and discussed in Chapter 2.4

A cognitive approach such as framing pays attention to the force of ideas and their contribution to problem solving. The complementary process which takes place alongside that of framing has sometimes been referred to in the literature as 'naming' (Rein and Schon 1991). The process derives from an ill-defined sense on the part of those involved in the policy process that something in the policy area is wrong. The movement from that to the specification of precisely *what* is wrong is fraught with intellectual *angst*, as well as being subject to challenge by others in the policy process (or outside for that matter) who disagree with the diagnosis. At European level, the original institutional division of labour identified the Council of Ministers as the vehicle through which relevant problems from member states would be identified. The Commission, on the other hand, was to be the primary source of initiation and recommendation of policy ideas designed to resolve or at least alleviate such problems. In short, the Council would define the nature of the problem and the Commission would propose a remedy.

A particular conceptual frame will only become a reference point when the attention of actors is drawn to it. Any proposal introduced into the EU policy debate that achieves a high profile (such as the early promotion by the Commission of a Community regional policy) cannot be easily ignored or dismissed. In some instances, a particular kind of frame

may be acceptable because the actors involved believe that it will attain their collective goals. This may take place if the frame is lined up with a previous mutual consent, and what has already become a tried and tested strategy.[2] When the ambiguities in the definition of a situation cannot be reduced, by the systematic processing of information and deliberation, frames serve as guiding posts, colouring the options which may stimulate consensus or dissent. A concept has to be introduced that is not only promising in terms of procedural benefits but is also expected to meet the normative aspirations and functional demands of a group (see Kohler-Koch 2000). But policy controversy arises when participants frame policy situations in different ways (i.e. select different, at best overlapping, phenomena and organise them differently), then policy frames conflict. The linkage between causal accounts of policy problems and particular proposals for action breaks down. The outcome of such developments has, it is argued here, often been a clash of policy frames and a clash of EU institutions.

The final building block on which the framing approach rests is a 'frame-critical' analysis, which addresses itself to shifts of frame. The framing of policy issues (most notably in the Community regional policy sector) has often been related to broader shifts of frame such as when policy goals are re-stated, policy is reformed, or policy instruments are created which admit new participants to the policy process. Such shifts have traditionally been associated with critical (and for the most part cash-related) junctures in the policy's history, such as those concerning enlargement or change in the Treaties. It is important therefore, when exploring the likely impact of the framing process on policy development, to define how policy-making takes place. Reforms agreed by the heads of state and governments of member states (the European Council) to the Community budget are highly significant, but so too are the intended and unintended consequences of subsequent decisions taken by a multitude of actors. Because framing is highly relevant when Community regional policy is being revised, part of the exercise of tracking policy development is to explore the conditions under which particular frames prevail over competing ones and become a common focus of discussion. But the role of the European Commission in the framing of EU regional policy, and the nature and extent of sub-national mobilization which may have

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[2] For example, programming (introduced by the 1983 reform of the structural funds) became the strategy/means whereby regional policy was subsequently delivered in the Community. Once tried and tested, the strategy became acceptable to member states and was then expanded in 1988 to include the partnership concept.

resulted from that institution's actions, are rooted in a much broader literature on regions and regionalism.

1. 2 Regions and regionalism

The social science and political agendas in Europe are addressing 'the regional question' in debates initiated by the European Commission's White Paper on Governance, and the Convention on the Future of Europe taking place at the time of writing to decide on the future of EU governance. In this wider context, these developments have encouraged some sub-national actors (particularly those with specific regional competencies that are constitutionally guaranteed such as Germany) to envisage the continuation of a trend of raising the profile of regions in Europe. This trend was first given institutional expression by the 1993 Treaty of Maastricht, which created the Committee of the Regions (CoR), with representatives from regional and local authorities, to act as an advisory body alongside the Economic and Social Committee (ECOSOC). Traditionally, research on the regional dimension has concerned itself with the development of national regional policies, and their effects on the economic and social life of regional populations (see Loughlin and Peters 1997).

Such concerns continue to be embraced but in the context of a changing global environment. Keating and Loughlin (1997) produced a wide-ranging study, representative of a body of work examining causal factors which lead regional groups to demand greater control over their own affairs. These include factors such as first, the existence of regional disparities and unbalanced regional economic development.[3] Second, an insurgent globalization of culture on the part of regions, which is reflected in celebration of their culture as an important part of the creation of a modern regional identity. The re-visiting of regional history and the challenging of dominant national representations of the past have become instruments in guiding a nation to its own future.[4]

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[3] For a full discussion of divergent growth in relation to regions and their economies in the EU and beyond, and the traditional models utilised as analytical tools to explain this phenomenon, see Armstrong and de Kervenoael (1997: pp. 29-47).

[4] For example, the apparent resurgence of 'national' sentiment among Scots worldwide when the film *Braveheart* was distributed across the globe. This phenomenon is exemplified by a number of websites such as http:/bravcheartonline.cjb.net and braveheart.uk which are: 'dedicated to keeping alive the spirit of Bravveheart and the interest in Scottish history and identity which it has helped to re-awaken' (braveheart.uk 1999).

Third, media diversification which is often characterised by the existence of a regional mass media which frames issues in a regional perspective rather than in a national one.[5]

All of these factors are symptomatic of a high degree of ethnic and territorial differentiation. In addition, there are causal factors which intensify demands for regional autonomy. These include increasing levels of urbanization, education and political competence, relative economic deprivation and (the other side of that coin) relative economic affluence. Such forces combine to persuade modern regionalists that the region is a dynamic force for economic and social change. The wider implication contained within such work is that the conventional form of government – the nation state – is in a condition of economic, cultural and political crisis.

Until the mid 1980s, accounts of regions and regionalism paid little attention to the specific Community context of regionalist demands and tensions in territorial politics. The new regionalism is predicated on a link between the region and the international or European order, with regions seeking their own place in the state, Europe and the global market. General accounts have been provided of regionalisation and regionalism in the EU.[6] Other studies highlight the potential which the EU and the wider processes of integration have to act as stimuli for regional mobilization (Sharpe 1993), some going even further to suggest the notion of a "Europe of the Regions" (Anderson 1990; Jones and Keating 1995).[7] Studies which explore this particular phenomenon invariably concentrate on the extent to which the participation of regional actors is enhanced in the process of integration, and suggest that there may indeed be a complementary relationship between the processes of European integration and regionalisation. In short, regions appear to have been re-interpreted or re-invented as a descriptive concept.

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[5] In some regions, such as the German Länder, radio and television are decentralized and regulated by the Länder themselves. Others countries such as Italy and France have both public and private television channels, but these are national, with little regional input. In the UK, on the other hand, the role of the press as a distinctive aspect of Scottish life has remained unchanged post-devolution, but the BBC's attitude to the provision of a distinctive Scottish news bulletin has so far been hostile (see Lynch 2001: 185).
[6] See for example Bullmann (1994) on third level politics as discussed on page 166 of Keating (1998).
[7] The notion draws upon the work of writers on federalism such as Brittan (1972) and Banks (1971) and federalists in the European Movement. The shared implication in this literature is of a shift of authority in decision-making away from the nation state on the grounds that for issues such as defence, transport or energy, the nation state is too small, and for welfare and any real sense of belonging it is too big. Maximum devolution to those levels of government which are closest to the citizen is advocated.

1. 3 Regional policy

There has been a change of thinking over the years on the dominant paradigm of regional policy.[8] Traditionally the regional policy model was based on the state, its command of macro-economic policy and the selection of interventionist instruments at its disposal. Large firms were steered away from flourishing areas and into less developed regions, lured by grants, tax incentives and development restrictions. There was a heavy reliance on expansion of the infrastructure – roads, airports, factories etc. – and the main engine of development was large-scale and often heavy manufacturing industry. This was the paradigm which prevailed when the European Commission first began its promotion of a regional policy for the Community in the 1960s.

Later criticism of the approach was based on the fact that such policies were either ineffective or inappropriate in their assumption that a 'one size fits all' policy could address the disparities between regions where needs and cultural traditions were so diverse. But the introduction of new thinking on regional development brought with it new and more refined types of intervention, which introduced targeted assistance and emphasised endogenous growth rather than simply moving investment around the country. Services were emphasised as the way forward (almost more so than manufacturing), and the formation of public-private partnerships to mobilize local energies and resources, was encouraged.

In the context of regional policy, research drew on the tools traditionally used in public policy analysis in studying the way in which the Commission has framed Community regional policy. Of itself, the policy analysis *approach* cannot be classified as a distinct 'theory', but it is helpful in organising the various stages at which decisions on policy are taken, and distinguishing between the types of decision being taken. Policy analysis is not new. It draws on disciplines which have been analysing government activity for decades. What is new is the heightened interest since the late 1970s in the use of analysis of policy as a focus (rather than specific disciplinary focuses) and the imitative re-labelling as public policy of traditional courses in governments and public administrations (Hogwood and Gunn 1984: 12). In seeking to define the term as it is used here, the research draws on the scheme for categorization set out by Hogwood and Gunn in 1984.[9]

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[8] For a full discussion of the emergence of a new paradigm of regional policy, see Keating (1998: 140-142)
[9] For a range of categories into which policies might fall, see Hogwood and Gunn (1984: pp. 13-19).

EU regional policy, as will become apparent in the succeeding chapters of this thesis, falls into three categories:

- Policy as decisions of governments. Decisions, which arise at 'politically important moments of choice', are referred to here as critical junctures. These help scholars to take account of a longer time span, extending to what happens *after* the juncture and to questions of implementation and actual outcomes

- Policy as a programme. This is a now familiar idea to those working in the EU regional policy sector, where the term is used to denote a particular package of legislation, organisation and resources, designed to achieve political, economic or social goals.

- Policy as *outcome*. It is important to distinguish this notion from that of outputs (commonly used to describe government activity at the point of delivery). An integral part of studying a policy over time is that it provides the opportunity to assess whether the express purpose of a policy was actually achieved. More crucially, policy as outcome helps to fix the focus on instances where outcomes were completely unexpected, and where the product of impact did not reflect the sum of the purposes of the original decision-makers.

In his research on Community regional policy and the structural funds, McAleavey (1995) pointed to the proliferation of studies which concentrated on the horizontal negotiations between member states at European level on the inter-state allocation of funds and resources. Such studies focused on policy as *output*. Policy as output is what governments actually deliver, as opposed to what they have promised or authorised through legislation. Such outputs may include the payment of cash benefit, the enforcement of rules or the collection of taxes. For example, at a domestic level, health service items such as more funds, more beds, more trained staff etc. are often described as the outputs of a policy aimed at improving the quality of medical care. These are necessary, but do not of themselves represent improved medical care. They are important contributory factors. In practice, the outputs/resources provided may not conform to the government's stated intentions. Policy as *outcome*, concentrates attention on the impact the resources make on the ground, in order to assess whether the stated purpose of a policy matches up to what it is achieving. This was the gap in the literature to which McAleavey (1995) drew attention: that analysis of the vertical spending of allocations *within* member states had been comparatively neglected. His own in-depth contribution has more than adequately filled

that gap (see McAleavey 1995) and his shift of focus from inter-state bargaining (policy as output) to intra-state implementation (policy as outcome) undoubtedly takes the understanding of this policy sector in terms of outcomes and their unexpected nature forward. But to concentrate on the nature of the governance structures the Commission has been able to fashion in order to seek to shape such implementation is, to some extent, to neglect to look at why the Commission framed the policy in the way it did: what was the policy context, why the partnership principle? Above all, why did the Commission appear to act on the belief that it was crucial to the Community's future development that sub-national actors be engaged in the policy-making process? It is argued here that directional signs to answers to these questions may be found in the policy's roots and its history.

This research aims to develop an approach to policy framing that throws light on the ideas underpinning successive Commission proposals for a regional policy for the European Community. These ideas are the key to facilitating analysis of the role of the European Commission in first promoting and then formulating and designing regional policy. This is a comparative study over time, and searching the huge literature accompanying European integration and emerging Community policies could be compared to looking into a kaleidoscope which has been handled by generations of previous scholars. Decision-making processes have changed, EU institutions have changed, the policy has changed as have themes, concepts, models and approaches. Development of the framing approach as applied here necessitates re-visiting the theoretical roots of the policy in order to find the Commission's source of its policy ideas – the intellectual inheritance of Community regional policy.

1. 4 The role of the Commission

The historical role of the Commission is one envisaged in the late 1940s by Monnet and his colleagues in what was then a singular philosophical and political context. That institution was to be the motor of integration, the guardian of the treaties signed, and the 'public face' of the European Community. In other words, the Commission was to be an embodiment of the 'spirit' of the treaties, a tall order for any organisation. Chapter 2.1 takes as its starting point this era of ideas (or for the more sceptical *idealism*) to examine the normative context within which the European Community was founded, and how this context informed its early decision-making processes. It does so in order to locate the evolution and development of EU regional policy securely within the overall development of the

Community. By examining policy as the product of decisions of governments (decisions which arise at politically important moments of choice) it is argued here that account can be taken of the longer time span, extending to questions of implementation and actual outcomes. This walk from the 'macro' (political decision-making) to the 'micro' (policy development) and how one dimension impacts upon the other is the central theme of this section.

The framing approach to policy-making, as presented in Chapter 2.4, follows a trend in public policy analysis towards approaches emphasising the influence of normative elements in public policy-making. Ideas, knowledge and experience, and the contribution they make to problem solving, are at the heart of the framing approach, and these three elements represent the thematic core of this thesis. At issue is how the EU policy-making process from the agenda setting stage to implementation can be informed by frames proposed by the Commission which colour the nature of the options on offer, stimulating either consensus or dissent among member states. The final section attempts to demonstrate that the product of the distillation by the Commission of the ideas and beliefs of those administering the legislative system has the potential to shape agendas in the policy-making process and, over time, to profoundly affect policy outcomes.

Succeeding chapters examine Community regional policy from its conception in the 1960s to more recent developments. These chapters focus on patterns of how institutions and actors have continued to adapt to the challenge of level and arena co-ordination in the EU multi-level structure since the perceived rise of the regional level, and how scholars have increasingly sought to unravel these same patterns. Chapter 3, the first core empirical chapter of this thesis, illustrates how the first of a series of milestones or critical junctures in the European integration process, mostly brought about by enlargement or its prospect, impacted on Community regional policy and created the need for change: change in the 'Community method' of decision-making, which subsequently impacted upon the Community method of policy-making. The role of the European Commission in the promotion of a regional policy for the Community is central to this chapter.

It should be emphasised from the outset that the focal point of this study is the Commission's public persona as a conduit for policy ideas, and its presentation of those ideas in documentary form. It is clearly understood and acknowledged that choices relating to common policies are made by all of the EU's major institutions, and the technical details

of such policies settled within a plethora of working groups and committees. It is not the intention here to imply that the policy ideas presented by the Commission were or are its exclusive intellectual property. But, for the purposes of this thesis, the Commission's public role as initiator, distiller and interlocutor of policy ideas is central.

The actual outcome of the Commission's efforts, the European Regional Development Fund (ERDF) which emerged as a result of these changes in 1973 is more fully examined in Chapter 4. In it, particular attention is paid to the tensions surrounding the perceived functions of a fund which had the capacity to fill two roles (regional development and/or a channel for rebates to member states). The ERDF's chimera-like characteristics, perhaps understandably, gave rise to conflicting explanations of developments in this sector, and the 1979 and 1983 reforms of the structural funds continued this trend. A second critical juncture in the shape of the Iberian accession meant that member states and the Commission had to decide on how best to accommodate the interests of the aspiring partners without seriously damaging the variety of jealously guarded interests being defended by the partners already involved.

Chapter 5 considers the third critical juncture created by the signing of the Single European Act in 1986, and the introduction of the partnership principle in the subsequent reform of the structural funds in 1988. The concept of partnership was first defined in the 1988 Regulations governing the implementation of the European Community's structural funds.[10] Partnership is described as: 'close consultation...between the Commission, the Member State concerned and the competent authorities designated by the latter at national, regional, local or other level, with each party acting as a partner in pursuit of a common goal' (Commission of the European Communities 1988). The first formalised involvement of regional and local actors in the design and implementation of Community regional policy is a focal point in this analysis. The role played by the Commission in securing that involvement and in fostering iterated contact between itself and sub-national actors, will be addressed in the subsequent chapters. Chapter 5 searches for the hypothesised link between the role played by the Commission in the framing of what had come to be known as Community regional policy, and the activity often described as sub-national mobilization. Chapter 6, on the other hand, concentrates on the complex picture which emerged in the

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[10] The structural funds are essentially grant-making instruments. Their purpose and development will be fully discussed in Chapter 3.

wake of the 1988 reform and the approach of the *next* critical juncture in the policy's history which would be created by the Treaty on European Union.

For many engaged in the study of Community regional policy *Agenda 2000*, and the 1999 reform of the structural funds, represent the culmination of a strategy for enlargement first envisaged by the founding fathers of the European Community almost fifty years ago. This is arguably the most important critical juncture so far, and Chapter 7 understands *Agenda 2000* as a case of policy framing, that is to say a package of polity ideas and policy ideas on the future of the European Union. The aim here is to explain how the policy-making process can be structured by a set of ideas such as those of the Commission on regional development, and how these ideas are presented to EU decision-makers by means of a policy frame (in this case *Agenda 2000*) to foster and encourage sub-national mobilization. At each critical juncture in this policy's development, events and their outcomes are analysed in the light of the prevailing competing theoretical explanations of the day. The strength of the claims made here for the framing approach, as a more useful analytical tool than models and approaches previously employed, is tested

The findings of a case study on Scotland are presented in Chapter 8. It aims to discover the extent to which the framing of EU regional policy, and the Commission's role in this process, mobilised sub-national actors in Scotland. The period during which domestic competences were being devolved in the UK coincided with decentralization by the European Union of some competencies of its own. Such developments offered a unique opportunity for the study of what had been stable political relationships built up over the years between Scottish sub-national actors, the institutions of UK national government and those of the EU. Central to this chapter are the political and policy choices of key actors and political coalitions in Scotland. Such choices, it is argued here, point the way to understanding the extent of the causal contribution of the European Commission to sub-national mobilization in Scotland and assist in the definition of the form that activity takes.

Much of the thesis is devoted to the role of the Commission in the framing of Community regional policy, and the link between that process and the activity given the umbrella term of sub-national mobilization. Scotland was selected in order to assess the nature of sub-national mobilization there prior to 1997, and how and by how much devolution affected that activity. Four dimensions are featured which, it is argued, justify the case study selection. The first is the impact on what had been stable political relationships of the

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insertion of another tier of governance in the form of the Scottish Parliament and Executive. The second is the fact that Scottish sub-national actors had a long track record of involvement in regional development programmes supported by the European Regional Development Fund. Scotland lent itself to the study of EU regional policy over time: the added value (or bonus) being that that particular policy sector fell within the devolution settlement's allocation of powers shared with the UK.[11] This dimension led to the third, that is to say a new group of sub-member state actors eager to make their mark on governance and policy in Scotland. Exploration of their polity ideas and policy ideas offered an intriguing prospect for any scholar. The *outcomes* of the coming together of these three elements represent the fourth dimension of the case study and are studied in the context of the broader methodology utilised throughout the thesis.

The wider conclusions of the thesis are detailed in Chapter 9, which emphasises the contribution made by the Commission in its framing of EU regional policy to the mobilization of at least some sub-national actors in Scotland. It also sketches out the new directions in which the EU's institutions, its current member states and their sub-national actors are moving in the process of gearing up to face the challenges of a greatly enlarged Union. Some ideas are offered as to how the framing approach might usefully be applied to changes in the governance of the EU and its policy-making processes, but a first step is to elaborate the framing approach, which is the central task of the chapter which follows.

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[11] These will be identified and discussed fully in the section dealing with constitutional change in Chapter 8.1.

Chapter 2: Theoretical perspectives on EU regional policy-making

Introduction

This chapter sets out to theorise the relationship between the European Commission's pursuit of a Community regional policy and sub-national mobilization. The chapter has a dual purpose. The first is to define the role of the European Commission in the EU regional policy process. The second is to establish the extent to which, over time, the framework of the policy which emerged mobilised sub-national actors and enhanced the role played by them in the EU policy-making process.

In any policy area of the European Union, analysis is greatly complicated by the plethora of actors, institutions, and ideas, all operating within a system in which decision rules regularly change, and in which some stages of the process take place *in camera*. Not surprisingly, this situation has given rise to contested concepts, that is to say, conflicting perceptions or interpretations of what is happening in a policy sector at any given time. Given that contested concepts form the basis of political science, due account must be taken of them. Decisions, and the level at which they are taken in the EU, provide the focus for several of these concepts. Milestones in the integration process, such as major constitutional decisions have, for some scholars, been best explained by broad 'macro' approaches such as realism, state-centred 'intergovernmentalism' or neofunctionalism. These categories continue to be important for the organisation of the subject matter in EU research. Macro approaches have been particularly useful in explaining the major 'history-making' decisions of the Community, the so-called 'grand bargains', of the sort which feature so prominently in *The Choice for Europe*, (Moravcsik 1998).[1] Such decisions have consistently impacted upon EU regional policy, for example, creating critical junctures in the Community regional policy process.[2]

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[1] For a review of intergovernmentalism, institutionalism and European integration, see Puchala (1999). For a study in the application of intergovernmentalism to Community regional policy, see Pollack. (1995). An overview of neofunctionalism is presented in Caporaso and Keeler (1995) but see also Jachtenfuchs (1995) for a return to culturalist neoinstitutionalism.

[2] Decisions taken by the Community to establish the European Regional Development Fund in 1975; to sign the Single European Act in 1986; to reform the structural funds in 1988; to make a commitment to economic and social cohesion in the body of the Treaty of Maastricht in 1993 and to agree unanimously to the proposals put forward for *Agenda 2000* in 1997, have all had a profound impact on Community policies generally and on Community regional policy in particular.

Other scholars have regarded such macro approaches as insufficiently nuanced and have chosen to adopt a different strategy. Peterson (1995) takes the view that it is important to extrapolate from the decision-making process the different levels at which decisions are made, and asserts that when it comes to explaining the subsequent 'policy-setting' or 'policy shaping' processes: 'macro theories tend to lose their explanatory power' (Peterson 1995: 84). His point is that the study of policies by reducing them to their lowest common unit of analysis – the individual decision – befits a multi-tiered system of government such as the EU. He therefore conducts his analysis on three levels of decision-making. The first level is history-making, as outlined above. The second is policy setting. No major policy decisions may be taken without the agreement of all three of the EU's major legislative institutions: the Council of Ministers, the Commission and the European Parliament (and in cases where member states wish to challenge particularly controversial measures, the European Court of Justice may be called upon for its 'agreement'). The third level is the one at which policy is shaped, and may involve networks of consultants/officials at several steps removed from the College of Commissioners: 'the precise details of proposed European policies are negotiated or 'shaped' in a jungle of working groups and committees at the technical or sub-systemic level' (Peterson 2001: 304).

It might be argued therefore that whilst decisions on European integration are made at only one level (that of the European Council), decisions in Community policy-making may be taken at several different levels and at different stages of the policy process. Thus the division between the process of European integration and the politics of the EU policy process allows for a distinction between different levels of analysis, which is extremely useful, and must be acknowledged. But to overstate this divide would be to obscure the underlying reciprocal relationship which exists between the taking of major constitutional decisions, and the policy environment: 'Politics and policy-making within institutions have assumed an analytic place alongside the politics of institutional change' (Caporaso and Keeler 1995: 43).

The search for a theoretical model/framework that will accommodate patterns of change in the Community's regional policy over time is therefore complicated by the fact that, at European level, history-making decisions or 'grand bargains' have, at regular intervals, impacted upon

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the overall direction of the policy, and the way in which it has been shaped and set. The evolution and development of EU regional policy is interpreted here within the context of the somewhat sporadic evolution and development of the Community as a whole. Thus the process of building a regional policy for the Community has assumed an 'episodic' nature over time, which does not easily lend itself to explanations of the comprehensive or 'overarching' sort.

Early approaches to the study of regional policy-making at European level were situated in the context of a broader, theoretical debate over European integration, and developed primarily from the perspective of theories of regional integration and international relations. A review in depth of the 'families' of theories, drawn upon by successive generations of scholars, in order to explain events taking place in Europe from the end of the Second World War lies outwith the scope of this chapter. However, this scholarship is worthy of mention because it reflects the philosophical and political context within which the founding fathers set up the European Community and the 'spirit' of the subsequent Treaties which member states signed.

Two competing theories, originating in International Relations and relevant to the normative context within which policies as the product of decisions of governments are framed, emerged in the first instance to dominate the debate over developments in European integration. Realists applied *intergovernmentalism* (Hoffmann 1964, 1966), and pluralists developed *neofunctionalism* (Haas 1958; Lindberg 1963). Intergovernmentalists argued that national governments determined the nature and pace of integration, and acted as 'gatekeepers' between supranational developments and their domestic systems (Hoffmann 1966). As such, intergovernmental cooperation within the European Union was not significantly different from that in other international regimes. Neofunctionalists, on the other hand, insisted that each integrative step led logically to another, and governments would increasingly find themselves unable to resist the pressures for European integration. Competing explanations based on these approaches run like a continuing thread throughout the history of European integration.

However, by the early 1970s, literature on the European Community was being expanded to include the policy dimension of the activities of national governments and supranational institutions. Scholars in that period produced useful models of the Community's policy-making process and provided valuable insights into the behaviour of national political actors

once they had become sucked into the Community's institutional framework. Such insights have in part informed this thesis, as have the new theoretical developments in both the pluralist and realist traditions spawned as a result of the launch of the single market programme in 1985. These subsequent developments were accompanied by a growing literature examining the functioning of the EU as a polity in its own right, and having a system of governance that operates simultaneously at different levels: 'authority and policy-making influence are shared across multiple levels of government - sub-national, national and supranational' (Marks *et al.* 1996: 342).

The final section of this chapter discusses the range of explanations of developments in the EU. It takes account of the limitations of the theoretical models offered - models of national policy-making on the one hand, and models of international policy-making on the other - as explanatory vehicles in the development of Community regional policy. This section enters the debate by acknowledging that public policy cannot be solely understood in terms of power, influence, interest, pressure and decisions. Exploring the relationship between the policy environment and the taking of major constitutional decisions may necessitate the adoption of a new 'synthesizing' approach. Any such approach needs to be capable of explaining two elements. The first is how and why the European Commission (virtually an outside observer in the history-making decision process) formulated the Community's regional policy to keep pace with these decisions. The second is the impact, or lack of it, which development and change in the policy had on sub-national actors, both regional and local. The important contribution of macro approaches such as those outlined above is fully acknowledged. But it is argued here that a more nuanced approach, that is to say one which studies policy change in terms of ideas and knowledge dynamics, might be more useful in explaining the degree to which sub-national actors have been mobilized as a result of their involvement in EU regional policy-making.

2. 1 Theories of regional integration and international relations

Early themes and concepts

Hix (1994) highlights the fact that traditional international relations approaches to analysing the EU have tended to focus on the question of degrees of integration. The thrust of his

argument is that now that the EU is more than an 'international organisation', theories of international politics are of limited use for studying the internal politics of the Community. They have, however, taken other scholars forward in the construction of persuasive theoretical models, and are part of the intellectual inheritance of EU theorizing. Some models are explicitly prescriptive, and reflect the huge normative input from political philosophers in response to the destruction caused in Europe by the First and Second World Wars. Three are deserving of more than a passing mention. The first is federalism.[3] The roots of federalism were established in Europe in the late 1940s, and the founding fathers of the European Community – Jean Monnet, French Planning Commissariat and Robert Schuman, French Foreign Minister, could reasonably be described as essentially pragmatic federalists. Unlike the so-called radical federalists (such as the governments of France, Italy and Belgium which wanted to establish a supranational European organization and who favoured the 'head on' approach to integration) Monnet and Schuman preferred to take the view that the only way to achieve European integration was by small, incremental steps in sectors where national sovereignty was less contentious than in high politics areas such as defence (see Monnet 1978).

The second prominent model of the time was functionalism, the approach offered by David Mitrany.[4] Opposition to nationalism was central to Mitrany's work. His theory was criticised on the grounds that very little in contemporary integration had actually 'worked' in the way that the functionalist design predicted it would (Haas 1964; Puchala 1972). In purely theoretical terms, the critique by Haas (1964) focuses on functionalism's preoccupation with the technical and non-controversial, and the forestalling of the political. With piecemeal cooperation as its starting point, functionalism sought to avoid comprehensive plans for integration, preferring instead to take advantage of *social* differentiation, and carving society

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[3] For the core concepts see *The Ventotene Manifesto* (Spinelli 1941). For details of the composition of the post-war advocacy coalition in favour of some form of European integration, which came together at the European Congress in The Hague in May, 1948 see Mazey (1996). For a discussion of why the 'moment of new men' who would create a free, united and federal Europe, fell well short of the expectations of Altiero Spinelli and the European Federalist Movement, see Nelsen and Stubb (1998: 6).

[4] Functionalism was not a theory of European integration. Mitrany was directly opposed to the project of regional integration in Europe. He proposed a universal rather than a regional solution to what he saw as problem of his generation, which was the dichotomy between welding together the common interest of all and refraining from interfering unduly with the ways of each other. See Mitrany (1943; 1966).

into sectors, as specialized and autonomous as possible. This, according to functionalism, is the process which would allow its chief dynamic - 'spillover'- to be unleashed. But quite how the transition from functional action to international society would take place was never clearly specified, and 'spillover' was regarded as an organic process of expansion, not consistently observable in practice. 'International integration' in the Community was initially regarded as a product of forces, interests and attitudes peculiarly prevalent in the post-1945 world.

Functionalism embodied post-war 'structures and processes and thrived in the attitudinal environment characteristic of the new post-war world' (Puchala 1972: 269). Models such as federalism and functionalism focused on the desirable *outcome* of this cooperation and on the supranational institutions of Europe. On the other hand, the exponents of the transactionalist/communications school such as Deutsch *et al* (1957; 1964); Deutsch (1966), and others writing within the transactionalist tradition focused, not on the new supranational institutions of Europe, but on the necessary conditions which would be required before a new transnational community could be achieved. Their key insight was that integration was a learning process that took place over a long period of extensive and sustained contact between people from the politically relevant strata of society. Skeptical of the functionalists' claim that integrating government tasks one step at a time would lead to political unity, they laid less emphasis on the presence of a specified institutional structure for Europe. Instead, they preferred to rely more on a: 'historical process of social learning, in which individuals, usually over several generations, learn to become a people' (Deutsch 1966: 174). The transactionalist approach to integration was widely criticized, mostly on the grounds that its methodological focus on transaction flow indices did not provide an adequate picture of the multi-faceted integration process. Eventually the approach was overshadowed by the rise of neofunctionalism in the late 1950s and early 1960s.

Neofunctionalism

Neofunctionalism has been widely regarded as an influential early approach to study of the Community, and its basic principles are still in evidence in much of contemporary theorizing on European integration and EU policy-making. It is essentially a *process-oriented* approach,

seeking to explain the integration of states or policy sectors in Western Europe. While earlier theories had focused on the flow of goods, services, communications and people as key explanatory variables, Haas (1958) placed a greater explanatory burden on institutions and attitudes. The neofunctionalist approach argues that the staking of claims and demands of group interests directly at Community institutions implied a transfer of group loyalties to the supranational level. Hence, governments, interest groups, bureaucracies, and eventually broader political elites, would pursue goals at a supranational level. This level would progressively grow to resemble the domestic polity. Thereafter: 'a new political community, superimposed over existing ones would therefore emerge through the gradual transfer of demands, loyalties, and action by political elites to the European level' (Haas 1958: 16). In other words, the neofunctionalist contribution to a theory of integration represents an international replication of the processes of national policy-making.

Neofunctionalism belongs to the same theoretical 'family' as functionalism. It carries forward many of its ideas in essentially identical form, or transmitted into concepts more suited to the explanatory task. The approach does not constitute a radical break with functionalism. The emphasis of that earlier approach on the pre-conditions of integration, late industrial societies, pluralistic social structures, muted ideological conflicts, and mixed economies is retained (Caporaso and Keeler 1995: pp. 32-33). But, the intellectual parentage of neofunctionalism is mixed, in that it also draws upon some of the central tenets of both the federalist and the communications schools in the primacy accorded to supranational institutions in the former, and the importance of social learning emphasized by the latter (Cram 1996). According to the neofunctionalist approach, the two key mechanisms by which the process of supranational integration was inexorably driven were 'spillover' and 'issue-linkage'. The former represents, perhaps, the most significant advance upon Mitrany's functionalist method. In short, it consists of a convergence of the expectations and interests of national elites in response to the activities of supranational institutions. This, in turn, may result in the transfer of loyalties (authority-legitimacy transfers) or, at a minimum, as mentioned above, in a transformation of the political activities of national elites (such as a rise in European lobbying in favour of new supranational policies). A good example of this process is offered in studies of how regional and local authorities began individually and sometimes collectively to lobby in Brussels and in their national capitals (see McAleavey and Mitchell 1994; also Mazey and Richardson 1993).

But, crucially, political spillover could be positively or *negatively* inspired. That is to say that groups with short-run negative expectations, who mobilise in response to specific supranational policies which they oppose: 'may, in self defence, become a permanent institution with a common - albeit negative - body of expectations' (Haas 1958: 288). Both the positive and negative dimensions were expected to increase as supranational policies were revealed to be of increasing relevance to national elites (Cram 1996: 46). Issue linkage clearly illustrates Haas's distinction between his neofunctionalism and the functionalism of David Mitrany. Far from focusing on the very separate demands of different functional tasks, Haas focuses on the potential linkages between sectors. It was this focus on linkage politics which, in part, contributed to the image of political integration as an inexorable process: a snowball, constantly gathering momentum as the process of integration rolled on.

This brief outline of the neofunctionalist approach to the understanding of policy-making in the Community has, so far, been general and located in the realms of regional integration theory. It does, however, demonstrate that the approach aspired to go beyond simply presenting a deterministic model of integration. It aimed to accommodate the way in which policy evolution was closely related to the development of supranational authority at the European level. Neofunctionalism also attempted to explain how the way in which some policies evolved contributed to the relative strength of the different institutions constituting the EU's decision-making system. In other words, institutional and policy-making developments mutually influenced the development of supranational authority at the European level, and these processes created the potential for episodic development of that authority. But Haas was later to recognise that, as a theory, it had its limitations. Political and geographical spillover could be halted in their tracks as happened in 1965 when De Gaulle vetoed the UK application for membership of the Community, putting paid to the idea of Commission activism *and* its attempts to progress functional/technical spillover in developing policy areas such as coal and steel. This early setback for the Commission demonstrates how the deterministic logic of 'spillover' was contradicted by its basic reliance on the voluntary action of European elite interest groups [and national governments] to foster and extend this in their own interests.[5]

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[5] Haas's deliberations on the shortcomings of his original theory of neofunctionalism are detailed in full in Haas (1970) and Haas (1975).

Haas also failed to distinguish between 'low politics', such as agricultural policy and market regulation, and 'high politics', such as foreign and defence policy.[6] In an early critique, published in 1966 and reiterated in 1982, Hoffmann argued that: 'The grand theory, which had been implicitly Jean Monnet's and explicitly Ernst Haas's, has performed much better as an initial goad than as a permanent explanation' (Hoffmann 1982: 29). He was of the opinion that the approach, derived from theories of industrial society, suffered from the same inherent weaknesses as they did in that it relied on technology as the fuel and logic of the market, and the motor of integration: the premise being that the drive for economic modernization would lead to political unity.

Some would argue that Haas's greatest contribution to the literature is that he encouraged debate, concentrating the minds of political theorists and policy-makers alike on the integration process, and extending the range of language they might use to interpret it. Subsequent attempts have been made to 're-visit' neofunctionalism (early examples being Lindberg and Scheingold 1970; Nye 1978; Schmitter 1970). More recently, scholars such as Sandholtz and Zysman (1989); Tranholm-Mikkelsen (1991); Caporaso and Keeler (1995); Sandholtz and Stone Sweet (1998) and Armstrong and Bulmer (1998) have produced work which clearly comes out of the neofunctionalist tradition.

The early recognition that integration was not necessarily a relentless process in which national governments found themselves swept forward was accompanied by a realization that the process might just as easily be stopped in its tracks by events such as the De Gaulle 'crisis' in 1965. In the mid-1960s, institutional and policy-making developments took place in the Community which directly affected the development of supranational authority at the European level, thus making the case for neofunctionalism difficult to sustain. Such developments also impacted directly upon the Commission's early efforts to persuade

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[6] Neofunctionalism shares with intergovernmentalism the rather traditional distinction between 'low' and 'high' politics according to which it is easier to integrate economic policies rather than foreign policies. Hoffmann's distinction between issues of 'low' politics (economic and welfare policies) and 'high' politics (foreign policy, security and defence) was at the core of his critique of neofunctionalism. National governments, when taking decisions on tariffs or issues in agriculture might accept the logic of integration, but: 'When it came to the discussion of matters of 'high politics', however, clear and consistent goals would be required' (Hoffmann 1966: 883). His implication is that the goals in policies such as agriculture, when articulated at a European level, had a tendency to be unclear and inconsistent. Such a tendency would be untenable in areas such as foreign policy, security or defence.

members of the need for a Community regional policy. Any subsequent change of focus on the part of theorists, in their explanations of events at that time, is therefore directly relevant to this thesis and its attempt to theorise the relationship between the Commission's pursuit of a Community regional policy and sub-national mobilization.

The realist/intergovernmentalist approach

By the early 1970s, neofunctionalism was being rejected by many early students of the integration process in favour of the 'realist/intergovernmentalist' approach. The neofunctionalist model implies the evolution of a new and distinct style of bargaining and decision-making, leading to a political configuration, *sui generis*, at the European level. The realist/intergovernmentalist approach begins with the opposite assumption - that the Community had come to reflect the prevailing pattern of bargaining found in other, more explicitly intergovernmental, international organizations. To the analysts of the realist school, international integration is a process of mutual exploitation wherein governments attempted to mobilize and accumulate the resources of neighbouring states in the interests of enhancing their own power. In realist thinking, international organizations created in the course of international integration were only instruments to be used by national governments in pursuit of self-interests. Overall, the realists argued that what was being observed was in reality a succession of international marriages of convenience, comfortable for all partners as long as self-interests were satisfied. Politics, by definition, was a power struggle between states seeking to maximize their power and protect their national interests (Keohane 1986; Guzzini 1998). The realist paradigm rationalises the interests and intentions of actors.

Neo-realism/structural realism, is seen by some scholars (Peterson 1996; Brooks 1997) as a *re-presenting* of realist theory. For other scholars, such as Waltz (1979), changes are shaped and outcomes determined by the structure of the international system rather than by decisions made by individual agents. For neo-realists, EU decision-making is: 'the practice of ordinary diplomacy' although 'under conditions creating unusual opportunities for providing collective goods through highly institutionalized exchange' (Pierson 1996: 124). Intergovernmentalists such as Milward (1992) and Moravcsik (1994) take this view one step forward, and argue that

the EU strengthens the nation state rather than weakening it.[7] The Community is dominated by national interests, and allows governments to side-step prevailing domestic pressures, which limit their room for manoeuvre at home. The question of who or what determines which issues are subject to EU decision-making is the central pre-occupation of students of international relations following in this tradition: they are pre-occupied with *power*. Intergovernmentalists see the terms of international cooperation, the accompanying rules that guide it and the institutions that frame it as reflecting the relative bargaining power of different governments who, while never abnegating their sovereignty may be willing to 'pool' or 'delegate' it as efficiency and effectiveness require (Puchala 1999: 318).

Intergovernmentalism is an approach which could readily be applied to the evolution and development of Community regional policy. It focuses on policy as the product of decisions of governments, that is decisions arising at politically important moments of choice, referred to in the thesis as critical junctures. The approach sets the context in which these decisions are taken, and the role of the Commission in relation to member states. A focus on this aspect does indeed help scholars to take account of the longer time span extending to what happens *after* the juncture, and towards the implications such decisions have for change in the policy itself. Neofunctionalism had to give way to intergovernmentalism in the mid-1960s largely because the predicted increased authority and activism of supranational authorities (particularly the Commission) simply failed to materialize. But the fall and rise of the so-called grand theories of regional integration and international relations, precipitated by a period of 'Euro-sclerosis' between the mid 1970s and the mid 1980s, generated a further body of scholarship which would subsequently underpin later studies of both the integration process and the functioning of the EU as a system of governance.

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[7] Milward (1992) argues that the European integration process is driven by the need to satisfy the welfare demands of the citizens in the absence of sufficient state capacities on the national level. He interprets this process as ultimately rescuing the nation state. An extension of this point is made by Risse-Kappen (1996) that: 'The intergovernmentalist argument that European integration strengthens the nation state hinges on the assumption that transferring issues from the domestic to the foreign policy sphere moves them into the *domaine reservee* of executive control' (Risse-Kappen 1996: 57) and, by implication, outwith the control of regional or local actors.

2.2. Theories of EU policy-making

The policy as a lens

The period from the early 1970s to the early 1980s has often been characterized as the doldrums era or 'dark ages' for the Community (Keohane and Hoffmann 1991: 8). The 'doldrums era' literature did produce useful models of the Community's policy-making process, and did specify the sort of dynamics that allowed for integrative outcomes. Webb (1977) put the *policy* dimension at the centre of analysis, and outlined how this might be handled in theoretical terms. The thrust of her argument was that political and some economic elites found themselves sucked into the institutional framework of the European Community via the policy process. Thus, although national governments were the central actors in the integration process, only an understanding of the internal domestic politics of member states would establish whether or not this participation altered the behaviour (the support and loyalty) previously exchanged with national authorities. In sum, an understanding of the internal domestic politics of the member states was crucial to any rounded understanding of the integration process. Bulmer (1983) tried to develop the approach further by endeavouring to move away from the 'supranationalism versus intergovernmentalism' debate, and towards explaining the 'linkages between the domestic and EC tiers' (Bulmer 1983: 349). He criticised the persistent focus on the Community solely as an international organisation, and argued that the behaviour of member states in at European level might usefully be studied by means of the analytical tools normally applied to the study of national politics.

Since the mid 1980s, and the reform of the Structural Funds, there has been an increasing amount of political activity at the policy-making level of the EU, particularly in relation to regional policy. Such activity cannot be explained as intergovernmental relations as it involves such a wide range of non-governmental actors at the sub-national, national and EU levels. It is almost impossible to regard policies emerging from such a complex process, involving as it does different types of actors - institutional and non-institutional, governmental and non-governmental – as simply products of inter-state bargaining. New concepts and theories have since evolved and developed around this political activity, and the interchange of ideas, knowledge and experience which takes place among actors taking part. For this thesis, which seeks to theorise the relationship between the role of the Commission in the promotion of a

Community regional policy and the mobilization of sub-national actors, it is an important watershed in the literature. The literature takes as its starting point the fact that *policy-based* studies can have important implications for evaluations of the most appropriate 'conceptual lenses' (see Allison 1971) through which to view politics and policy-making taking place within institutional structures which change over time.[8] The study of EU regional policy as a particular package of legislation, organization and resources, designed by the Commission to achieve political, economic or social goals, is central to this thesis. This type of study means drawing on approaches rooted in comparative politics and public policy analysis, as well as those which concentrate on major institutional change.

Agenda setting

In terms of available models of analysis, the early stages of the policy process - namely agenda setting - present the most intractable problems. The emergence of problems, issues and policy proposals has, in the view of some theorists, been traditionally the result of an endogenous process in the political system.[9] Kingdon's analysis of knowledge in agenda-setting, based on a version of the 'garbage can' model (Cohen *et al* 1972) is particularly focused upon problems, policies and politics, and the point at which an issue comes to be defined as a problem. Socio-economic conditions or events come to be defined as problems only when political actors believe that something should be done to change them (Kingdon 1984). He aims to move away from concentrating on pressure and influence, and to explore instead the world of ideas. Public policies are based on ideas about how to solve social problems, and framing draws on approaches such as these in the primacy it accords to the force of ideas and their contribution to problem solving.

The movement of focus onto approaches which address how and when issues come to be defined as problems and who persuades political actors that something needs to be done about them (recommends the policy ideas to resolve or alleviate the problem) brings back into sharp

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[8] This point is raised and expanded upon in Cram (1996: 53).

[9] The 'inside initiative' model (Cobb *et al* 1976) and the 'bureaucratic demand creation' model (Milward 1980) are both images of a policy process in which the agenda is built within the political system, often with the significant contribution of policy experts not easily classifiable as academics, bureaucrats, political or professional actors.

relief the role of the Commission in framing Community regional policy. In the choice of proposals aimed at alleviating intractable problems, the Commission has traditionally had considerable influence. But how and by whom the policy agenda is set, whether technical negotiations precede or follow political agreement, now varies enormously in the EU. It continues to be unique in that it has evolved and developed to such an extent that international, supranational, transnational, regional and sub-national actors are inextricably linked. It is, for many scholars, a polity that operates simultaneously at different levels: best understood and explained as an example of multi-tiered/multi-level governance.

Community regional policy, as it has emerged from this complex process since 1988, has been both the product of decisions of governments and a programme, that is a package of measures designed to achieve the economic, political and social goals of the EU. The multi-level governance model raises the profiles of the roles played by both the Commission and sub-national actors in Community policy decision-making and implementation. It emphasizes horizontal and vertical linkages among and between sub-state, state and supranational actors (see Marks 1993; Marks *et al.* 1994; Jachtenfuchs 1995) and as such it might be usefully drawn upon in the building of the framing approach being developed here in relation to the third dimension which this thesis seeks to explore, namely policy as outcome.

2. 3 The EU as a polity

Governance

The term governance is common currency in recent EU literature (see, for example, Armstrong and Bulmer 1998; Sandholtz and Stone Sweet 1998). Peterson and Bomberg (1999) argue that in spite of its prolific use, the term is rarely clearly defined. Their definition of governance is: 'the imposition of overall direction and control on the allocation of valued resources', and they go on to state that: 'governance is synthetic: it results from a mix of factors, including political leadership, state-society relations, institutional competition, electoral politics and so on' (Peterson and Bomberg 1999: 5). The 'synthetic' nature of governance in the EU in the 1990s is reflected in the increased prominence of *synthesized* approaches to the role of regional and sub-national authorities in the EU regional policy process.

The concept of 'multi-level governance', as promoted by Marks *et al.* (1994) considers the sub-national level to be next in line to the national and European levels. As such, it can choose either to endeavour to influence EU regional policy-making via the member state; or to gain direct access to the European arena by various means. These include the setting up of offices in Brussels; taking part in European-wide associations for sub-national interests; or getting together with other sub-national authorities to find solutions to specific European issues (see Marks 1993). The concept focuses in the first instance on the by-products of the interaction between member states and European-level institutions which, almost incidentally, disperse decision-making powers to sub-national authorities, and mobilise/'empower' them to participate in the policy process:

> First, decision-making competences are shared by actors at different levels rather than monopolized by state executives... In the second place, political arenas are inter connected rather than nested... [Sub-national actors] act directly both in national and supranational arenas, creating transnational associations in the process. States do not monopolize links between domestic and European actors, but are one among a variety of actors contesting decisions that are made at a variety of levels.
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> Marks *et al.* (1994: 8).

(see also Marks 1992; 1993; Marks *et al* 1996).[10]

Marks (1993) argues that the debate between supranational and national conceptions of institutional formation in the Community misses a critical element of the whole picture - namely the increasing importance of sub-national levels of decision-making, and their myriad connections with other systems.[11] His conclusion is that the experience of structural policy suggests that it might be fruitful to describe the process of decisional re-allocation to European Community institutions as: 'merely one aspect of a centrifugal process in which some decisional powers are shifted down to municipal, local and regional governments, some are transferred from states to the EC, and (as is the case in structural policy) some are shifted in

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[10] For a discussion of Community regional policy and its potential for 'empowering' the regions, see Smyrl, (1997).

[11] It is important to note here that the policy that emerged as a result of the SEA (1986) and the reform of the structural funds in 1988 was one designed to reduce disparities and to promote an even pattern of development across the EU. Its stated goal remains cohesion, but its primary policy delivery mechanisms are the structural funds and the cohesion fund, policy tools designed to aid regional development. This situation has led to the policy's being variously described in the literature as Community regional policy/structural policy/cohesion policy. For the purposes of this study the preferred terminology is EC/EU regional policy, but references will appear to the others when drawing on research findings or secondary sources.

both directions simultaneously' (Marks 1993: 407).[12] In terms of policy as outcome, a link is posited between the role of the Commission in the formulation and design of Community regional policy, on the one hand, and sub-national mobilization on the other.

The notion of the existence of a link in policy-making in the EU regional sector between the role of the Commission and the activity described as sub-national mobilization is persuasive. But application of this model in full to this thesis is complicated by the model's emphasis on the overall control and direction of values and resources implicit in the term 'governance'. The approach is prone at times to diverting attention from the multitudes of factors such as ideas, knowledge and experience, which motivate regional or local actors to seek involvement/engagement in the policy process. It takes the writer part, but not all, of the way to fully addressing the issues contained in the hypotheses set out in the Introduction to this thesis. It is, however, an important theoretical development to which this chapter will return. It is not anticipated by Marks that sub-national mobilization will grow at the same rate or in the same way in the EU. Rather, those sub-national authorities having a wider range of resources for policy-making (information, organisation, expertise) are seen as having a much better chance of access to the process, as are those whose constitutional-legal resources are strong. Sub-national empowerment is not envisaged as replacing the nation state, nor is Europe expected to become a 'Europe of the Regions'.[13] But much of the literature surrounding successive reforms of the structural funds from 1988 and the cohesion concept concerns itself with the perceived struggle in this policy sector between the European Commission, on the one hand, and member states on the other.

This trend is reflected by Pollack (1995) who, while conceding the apparent significance of 1988 and acknowledging that with the doubling and reform of the Structural Funds, both the redistributive and administrative aspects seemed to take a quantum leap forward, chooses to re-visit the intergovernmentalism v. neofunctionalism debate. He uses the doubling and reform

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[12] Hooghe further redefines sub-national mobilization as: 'but one dynamic in a wider process of power dispersion in the European Union, in which political control has also spun away [from nation states] to strengthen European institutions, *and* in which national state institutions have retained significant control over resources' (Hooghe 1996: 18).

[13] This is a body of work which looks at the combined effects of regional assertion and regional integration. Keating uses examples of regions with autonomous or minority nationalist aspirations drawn from the EU to illustrate the different ways in which diverse regions and political parties within them have sought to promote the "Europe of the Regions" concept (See Keating 1998: pp. 163-165).

of the Community Structural Funds to illustrate what he sees as the intergovernmentalist context within which the precise roles and influence of supranational and sub-national actors can best be specified. For him, member states establish the institutional context within which both the Commission and regional governments act. All major redistributive funding decisions in the Community can be understood as side-payments in larger intergovernmental bargains about market liberalization, economic and monetary union, enlargement of the Community, or budget reform.

However, despite the fierce controversies and intense debates between these approaches, they are, for the most part, based on the notions of power and of interests. They concern themselves with the carriers of those interests or, to be more precise, the degree to which non-state actors matter as compared to state actors, and the role of institutional contexts for shaping the interaction between the actors involved. In addition, they share a tendency to neglect the role and substance of ideas and knowledge in the integration process (see Jachtenfuchs *et al.* 1998). Cram argues that in understanding the outcome of negotiations at the constitutional level of EU decision-making, where the 'history-making decisions' are made, it is crucial to take into account the learning and adaptation processes which iterated contact between the various actors in the policy-making process has made possible, and to filter this into any theoretical account of the integration process (Cram 1996: 55). Therefore perhaps the most important contribution of the recent upsurge in studies which utilise the tools of comparative politics and policy analysis to study developments in the EU is the role that these studies have played, not only in furthering our understanding of the functioning of the EU as a polity or system of governance, but also in extending our knowledge of the nature of the critical actors involved in the process: their motivations, strategies and goals. The ideas and arguments promoted by these critical actors are integral parts of policy-making. They have the potential to shed light on the extent and more crucially, the nature, of sub-national involvement in the EU regional policy sector.

2. 4 The framing approach to policy-making

The importance of ideas

It is widely acknowledged in the literature on the evolution and development of Community

regional policy that change at the institutional level, as well as that taking place in the policy process itself, must be understood, so that the reciprocal relationship between the two can be explored. The levels at which decisions are made is the central point for institutionalists, and establishing who makes them is the central tenet of liberal intergovernmentalism. But approaches such as these, concentrating as they do on power and resources, leave little room for the 'puzzling' that takes place in the policy process.[14] In other words, they leave insufficient room for considerations such as ideas and influence. Some of the more innovative models promoting the study of policy change in terms of ideas and *knowledge* dynamics, suggest a focus on time, context, meaning and agency. These elements, time etc. are not easily linked to macro-perspectives, though they may be treated successfully in individual case studies. Ashford (1992) puts it this way:

> a particular policy study is not a building block for one or more lawlike generalisations as conceived in normal social science but is simultaneously a historical narrative, a portrayal of particular motives and intentions at work in a particular setting, an account of prevailing moral and ethical standards at work in political and social life at some moment in history, and an exercise in defining political and social reality for policy makers and the public.
>
> (Ashford 1992: 4-5)

The way in which 'history-making' decisions impact upon policy development in one sector may well not be comparable with the way they impact on others. The forging of a link between micro (sub-system) dynamics - the way in which policy is formulated - and external 'macro' change - the moment in history at which momentous decisions are taken is problematic in the extreme (see Radaelli 1995). The dilemma has been succinctly defined by Sartori, who takes the view that in the walk from 'micro' to 'macro' (i.e. from policy to politics) we are climbing a scale of abstraction in which a few steps are missing and other steps are of a different nature (see Sartori 1971). In essence, these scholars are maintaining that a 'one size fits all' or 'here's one I made earlier' model of policy-making cannot be reasonably applied to a process which has to go on simultaneously in a large number of member states, with differing political systems, and over a wide variety of sectors. It is a problem with which the European Commission is only too familiar.

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[14] 'Politics finds its sources not only in power but also in uncertainty - men collectively wonder what to do...Governments not only 'power' they also 'puzzle', see Heclo and Wildavsky (1974).

In the search for a more nuanced approach to the study of the evolution and development of Community regional policy, and how the Commission attempted to tackle this problem, this chapter elects to follow a trend in the analysis of public policy, characterized by the development of approaches which emphasise the influence of cognitive and normative elements in public policy-making. In several of the most recent contributions to EU scholarship, a degree of primacy is accorded to the concept of 'framing', and the notion of what is variously described as a 'world view'.[15] What follows is a discussion of some of these key terms.

Framing in the context of ideas

A cognitive approach such as framing pays attention to the force of ideas and their contribution to problem solving. Actor-based approaches, emphasising the importance of ideas, knowledge and expertise are becoming increasingly sophisticated, and the role of ideas in polity-building and policy-making has been well documented (see Jachtenfuchs 1995 for recent literature on analysis of ideas).[16] It is widely accepted that interests are important in politics, but some analysts take their line from Max Weber's sociology of the world of religions, which says that (material *and* ideal) interests directly determine the course of action, but that ideas or world views have often shaped the path along which action has been pushed by the dynamics of interests.[17] In relation to decision-making ideas are, for some scholars, the key independent variables that explain why different institutions and legislation arise in different historical periods. In addition, the ideas and beliefs of those administering the legislative system can also affect policy outcomes. Institutions can, therefore, enshrine certain fashionable economic and political ideas at the time of their inception, and carry them forward

[15] See for 'world view' Rein and Schon (1991); Jachtenfuchs (1995) Jachtenfuchs *et al.*(1998). For 'preferred world vision' see Adler and Haas (1992) For 'shared perception of world states' see Sabatier and Jenkins-Smith (1993). For discussion of 'states of the world' see Moravcsik (1998).

[16] Other conceptualizations are variously based on the notions of paradigm, see Hall (1993) which discusses policy paradigms, social learning and the state in relation to economic policy-making in Britain, and the *referentiel,* as defined by Jobert and Muller (1987) and cited and discussed in a critical review of different models related to emphasis on the influence of cognitive and normative elements in public policy-making in Surel (2000).

[17] This point is extracted from Weber (1988) and has been translated and interpreted by Jachtenfuchs *et al.* (1998) to mean what is outlined above.

to influence future policies. This process may also lead to institutional entrenchment of anachronistic ideas. The flow of ideas is difficult to model (Hall 1993), but the policy-making process can be structured by a set of ideas, just as it can be structured by the members of a set of institutions. Given that ideas are an integral part of both of the processes outlined above, how do they permeate the political system?

World views

From a 'macro' perspective, Jachtenfuchs (1995) introduces the notion of 'world views' as a concept for the analysis of the interaction between institutions and ideas. Based on *neoinstitutionalism*, it draws upon the 'culturalist' approach to institutions, assigning a prominent role to ideas, norms, symbols, values etc., usually subsumed under the heading of 'culture'. In this perspective, institutions have a dual character, being not only neutral arenas for the accommodation of different interests in the pursuit of common policies, but also providing symbolic guidance for societies:

> The political institutions of Western democracies, for example, are not only arenas for conflict mediation between different groups in a pluralistic society or mechanisms for delivering public policy, but stand for specific values about how political and social life *should* be organised.
>
> (Jachtenfuchs 1995: 116)

'World views' is the term assigned to the type of ideas which exist within the political system, and which contain a description (in this instance an interpretation) of this very system. Actors construct their identity and their reality by reference to world views, and they are a social phenomenon which individuals might share. From this perspective, an amorphous, ill-defined, problematic situation can be made sense of and acted upon (Rein and Schon 1991: 263). World views are stable patterns of perceiving and interpreting the world: a way of selecting, organizing, interpreting and making sense of a complex reality so as to provide guideposts for knowing, analyzing, persuading and acting. On the basis of these shared appreciative systems, new data and ideas are interpreted. They may inhibit the range of collective discourse on policy, as well as guiding decision-makers in the choice of appropriate norms and appropriate institutions within which to resolve and manage problems. Ideas, by 'ordering the world', may shape agendas, which can profoundly shape outcomes.

Jachtenfuchs *et al.* (1998) take up this concept and develop it to accommodate the study of the EU. Focusing on an understanding of the EU as a system of governance, they argue that the institutional development of the EU depends, at least in part, on normative ideas about a *legitimate political order* (polity ideas). At some point, these world views/polity ideas must make the transition from their institutional setting to the policy process, and they do so by means of what is described in the literature as a 'policy frame'. This is a vehicle for ideas: 'and [because] ideas put blinders on people, reducing the number of options, they serve as invisible switchmen, not only turning action onto certain tracks rather than others...but also obscuring the other tracks from the agent's view' (Goldstein and Keohane 1993: 12). Thus a policy frame can reshape the way policy actors consider existing problems, and subsequently 'bias' the options search which follows (Dudley and Richardson 1999: 225).[18]

The framing approach as constructed and applied to the regional policy process in this thesis focuses, first and foremost, on the role of the European Commission in framing the policy. One of the institution's prime functions is to help member states to reach a consensus on identifying the nature and scope of problems within the Union (such as regional disparities); to help them to decide on whether or not a collective approach to the problem is desirable or necessary; and to try to encourage convergent expectations of the part of national governments concerning acceptable solutions. In other words, the Commission has to attempt to achieve consensus formation in a complex multi-lateral setting, and in order to do so it has to assimilate, distil and present a set of ideas in the form of proposals on how such problematic situations might be resolved.

Commission proposals represent guiding posts to member states towards a range of options, and the way in which the proposals are framed can colour the nature of the available options, stimulating either consensus or dissent. A concept must be introduced which is linked to problematic issues on the agenda and seems relevant to their resolution. If such a concept appears promising in terms of procedural benefits to member states and has the potential to

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[18] Dudley and Richardson (1999) offer an analysis over time of EU steel policy as a particularly good example of how ideas in the form of 'policy frames' can be transplanted across national boundaries and into supranational arenas via interests in the form of advocacy coalitions and individual policy entrepreneurs. They argue that these dynamics of policy change illustrate not only the power of economic and political ideas to influence policy, but also how interests compete to impose their own 'frames of reality' on the policy discourse of the day.

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meet either their normative aspirations or their functional demands (or preferably both) then it may have a band-wagon effect on the policy process in that sector, and come to be recognized as part of a tried and trusted strategy over time. The concept in the case of this thesis is partnership.

Policy controversy arises when participants frame policy situations in different ways, that is to say when they select different (at best overlapping) phenomena and organize them differently. The result of this process is that policy frames conflict. The linkage between causal accounts of policy problems and particular proposals for action breaks down. In other words, if the participants cannot agree on the nature of the problem, then it stands to reason that they will find it extremely difficult to agree on the nature of the remedy.

The final building block on which the framing approach as applied here rests is 'frame-critical' analysis, which addresses itself to shifts of frame. The framing of policy issues (most notably in the community regional policy sector) has often been related to broader shifts of frame such as when policy goals are re-stated, policy is reformed, or policy instruments are created which admit new participants to the policy process. Such shifts have traditionally been associated with critical (and for the most part cash-related) junctures in the policy's history, such as those concerning enlargement or change in the Treaties.

Bearing in mind Pierson's (1996) strictures about 'one-off' acts of cutting into ongoing social processes, the salience of ideas and framing to EU polity building and regional policy-making needs to be explored by means of a *series* of 'snap-shots', taken at what have already been identified as critical junctures in the policy process. A succession of 'frame-critical' analyses will be applied to each of the history-making decisions outlined in the introduction to this chapter. The aim will be to establish what happens in the no-man's land of actor/institution interaction, where decisions are made and policies set and shaped. Any such framework has to be capable of explaining change.

The study will aim to achieve this explanatory capability by focusing on the way in which shifts of frame occur at the macro level of decision-making. Such shifts have had major implications for the way in which the European Commission has adapted its role in the formulation and design of EU regional policy. The study of such shifts will be useful in

assessing how the framing of the policy affected the extent and nature, if any, of the mobilization/empowerment of sub-national authorities taking place at any given point.

Conclusion

This chapter has sought to unpack the bundles of theories, themes and concepts which have been put together over decades to explain the evolution and development of the EU, on the one hand, and Community regional policy on the other. In the case of the latter, history-making polity decisions about the size and the future of the EU have impacted on the overall direction of the policy and the role of the Commission in its framing. Because the development of a regional policy is interpreted here within the context of the somewhat sporadic evolution of the Community as a whole, the process of building such a policy has of necessity assumed an 'episodic' quality which does not easily lend itself to explanations of the macro or over-arching type.

The framing approach allows scholars to tap into critical junctures in the history of EU regional policy and to examine that policy in the three dimensions outlined in the introduction, namely policy as the product of decisions of governments; as a programme and as outcome. It will be argued here that, for the purposes of this thesis, application of the framing approach (based on the force of ideas and their contribution to problem solving) to each of these dimensions over time is more useful in establishing the extent of the causal contribution of the Commission to sub-national mobilization than the application of models which concentrate more exclusively on power, resources, or the levels of authoritative decision-making.

Chapter 3: The emergence of Community regional policy

Introduction

This chapter examines the evolution of Community regional policy in the context of the sporadic nature of the development of the Community itself in the early years. In the mid-1960s, substantial change took place in the Community method of decision-making and of resolving conflicts between member states. The question this chapter seeks to address is how these changes significantly affected the Commission's role in framing policy, that is to say its capacity to be the primary source of initiation and recommendation of ideas.

The internal decision-making processes of the European Economic Community were originally characterised by a systematic form of partnership between those who could speak for the individual member states, the economic actors who would be directly affected by the results of the new system, and a new group of European public servants who would develop the agenda on the basis of consensus achieved between these groups (Wallace 1996: 42). The model drew on the ideas underpinning the contributions of Jean Monnet and others to the development of the Community, as outlined in Chapter 2.1. The partnership core took the form of a 'tandem' relationship between Council and Commission, which by definition implied that although the Council did the steering, the driving force was greatly accelerated by the two working together.[1] By 1965, however, the limitations of the Monnet method were beginning to become clear, and the protracted debate which took place over the conduct of the Community institutions was to have serious implications for the way in which policy was formulated and designed in future in the Community.

In the early years of the European Economic Community it was widely assumed by member states that a common market would generate enough growth to solve regional economic problems without recourse to specific measures. *Ergo* the Community had no need of a regional policy at supranational level. By the mid 1960s, however, the Commission was making serious efforts to convince national governments that regional inequalities within the Community were becoming a real cause for concern, and attempting to push the matter up the Community political agenda. The chapter looks, in the first

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[1] For a comprehensive and illuminating explanation of the 'Monnet method' see Wallace (1996). For a detailed outline of the Community method/modes which succeeded it from the late 1960s, see Wallace (2000: pp.28-29).

instance at the political context - how and why decisions were taken in the European Community in respect of regional policy up to the late 1960s.

The first enlargement in 1973 brought in three new member states: UK, Ireland and Denmark. Two of the three (UK and Ireland) brought with them regions which were seriously disadvantaged either industrially or agriculturally. This development represents the first critical juncture, which the supranational institutions had to face in the context of their politics and their policies. At issue was the fact that increasing regional disparities within the Community would be exacerbated by the admission of the accession countries, and a decision had to be made as to whether a Community-level redistribution mechanism was required.

The outcome of the deliberations of member states and their response is the focus of the third section of this chapter. It will examine the fundamental topics for discussion, which arose as a result of the 'history-making' (and mostly cash-related) decisions made in the early 1970s. More specifically, this section seeks to establish whether the changes in institutional behaviour, which took place in the mid-1960s, profoundly affected the Commission's subsequent ability to push forward its policy ideas, and to embed its perception of the regional problem and potential solutions within the institutional framework of the Community. In other words, was a path dependency established at this stage for subsequent decision-making in regional policy? Section three concentrates on what it describes as a period of "post-decisional politics" and beyond. The term "post-decisional politics" was originally coined by Puchala (1975) and used to describe a phenomenon which emerged in the early days of the Community. The concept relates to the efforts of the original 'six' to achieve harmonization of national programmes of regional aid after the signing of the Treaty of Rome, and how this experience conditioned their response to the Commission's early framing efforts. Finally, the competing explanations advanced by theorists at the time in relation to developments in the Community, its politics and it policies, will be reviewed in conjunction with the first of the two main hypotheses set out in this thesis: that the Commission's framing of EU regional policy created 'windows of opportunity' for a more substantive input on the part of regional/local actors, and facilitated their involvement in the EU policy-making process.

3. 1 Building a Community regional policy

The theoretical debate

Explanations of the Community regional policy process can be set in the context of a broader theoretical debate which was taking place on European integration.[2] Early theories of Community decision-making were dominated by two competing approaches rooted in international relations (IR). These are the neofunctionalist approach developed by pluralists (Haas 1958; Lindberg 1963) and the diametrically opposed critique supplied by realists in the form of intergovernmentalism (Hoffmann 1964; 1966).[3] Neofunctionalists were convinced that each integrative step led logically to another and governments would increasingly find themselves unable to resist the momentum for further European integration. Actors at both the supranational and sub-national levels would increase their influence, and the degree to which the European Commission was the independent engine of advancing integration was a central point of the approach.[4]

If the neofunctionalist model implied the evolution of a new and distinct style of bargaining and decision-making leading to a political configuration, *sui generis*, then it might be argued that the intergovernmentalist approach began with the opposite assumption. It suggested that the Communities had come to reflect the prevailing pattern of bargaining found in other, more explicitly intergovernmental, international organisations. Thus, in practice, the increase of the predominance of the Council of Ministers and the resistance of member governments to the adoption of majority voting, suggested that the supposed 'Community mindedness' emphasised by neofunctionalism had been replaced as a typical feature of Community policy-making by intergovernmentalism.

This thesis offers an alternative framework to the traditional neofunctionalist/

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[2] The literature on decision-making in the European Communities from 1957-75 is not vast, but an inventory of this work would most certainly include Ernst Haas and his deliberations on the uniting of Europe (see Haas 1958); work on the political dynamics of economic integration in Europe (Lindberg 1963); the study by James Caporaso on European Integration (Caporaso 1974); and Altiero Spinelli's thoughts on the 'Eurocrats' (Spinelli 1966).

[3] Some would argue that these explanations are outdated in many respects, but as stated in Chapter 2 no study of early Community policy-making would be complete without some reference to them.

[4] For a full discussion of early Community policy-making theories see Caporaso and Keeler (1995).

intergovernmentalist dichotomy, one which encompasses both intergovernmental bargaining at the level of the 'history-making' decisions, and the way in which policy is formulated in the period after the decisions have been taken. 'History-making' decisions, as Peterson (1995) points out, have traditionally been made at a level that transcends the EU's day-to-day policy process. They have altered its legislative procedures, rebalanced the relative powers of supranational institutions, or changed the EU's remit. But to focus exclusively on this aspect is to ignore what Puchala (1975) referred to as the phenomenon of "post-decisional politics" in the European Communities. He pointed out that in order to explain how and why regional policies were formulated and implemented meant examining the other equally important dimension, namely who influences whom, to do what, when, how, and why after decisions are reached. The term was originally used to describe the execution (or non-execution as the case may be) of European Economic Community programmes, which emerged as a result of efforts to harmonize national programmes for regional aid (Puchala 1975: 497). Articles 92 and 93 of the Treaty of Rome committed the original 'six' to the harmonization of national programmes for regional aid, and between 1958 and 1967 the Commission had been working to establish standard criteria for regional subsidy programmes. From 1967 onwards, member states were expected to move towards the europeanization of their national subsidy programmes. "Post-decisional politics" was the term employed for the activities which took place after EEC legislation had been passed in Brussels, and regional directives issued to national governments. The transmission downward and outward of regional directives from Brussels, and the problems, pitfalls and impacts involved in member states constituted "post-decisional politics". In other words, the concept was employed to describe the behaviour of individual member states in terms of regional matters *prior* to 1975. But it might usefully be adopted in this chapter to explain the developments which took place *after* the decisions to adopt a regional policy for the Community had been reached, in the run-up to the first enlargement. Member states found themselves in a situation in which, for the first time, they had to achieve a common/consensual solution to the regional problem. The framing approach enables scholars to look at a policy such as this as the product of decisions of governments.

The argument put forward in this thesis understands the policy formulation and design process as one of framing. Participants in the policy process engage in framing at an institutional/organisational level and, at one step removed, scholars do this at an academic level (Rein and Schon 1991: 263). The actors in the framing process examine a situation,

define what is problematic about it and construct a policy framework on the basis of ideas which might remedy the situation. The argument centres on the fact that individual member-state governments, the Commission, and sub-national actors each had distinct perceptions of the regional problem in the Community and how it might be resolved, but these perceptions did not necessarily correspond.

The Community method

The founding fathers of the Community created a distinctive institutional framework, the essence of which was a form of systematic partnership between those who could speak for member states (for the most part national governments) and a new bureaucracy namely the Commission. It is interesting to note that what Wallace (1996) understands as a tandem relationship between these two institutions, with the Council being the driver and the Commission the engine, is viewed rather differently by Urwin (1993). He elects to describe the relationship as being a parallel one in which the Commission had not just the right to initiate and recommend policy to its executive partner the Council of Ministers, but also the task of ensuring that the provisions of the Treaty of Rome and policies emanating from the Council of Ministers were carried out by the other institutions (the Parliament and the Court of Justice) and the member states. Both of these scholars, however, agree that the Treaty of Rome created a body responsible for initiating policies, and implementing those already agreed upon, and a Council of Ministers whose main function would be to take action and legislate on the basis of the Commission's proposals. The Parliamentary Assembly and the Economic and Social Committee were primarily advisory in nature, with very little checking power, while the Court of Justice could interpret the provisions of the Treaty and the decisions of the Community. In short, the Community institutions worked as a team: the Commission would be the primary source of good ideas, but the Council would be the vehicle through which relevant problems from the member states would be identified and the relevant interests articulated. The collective interests of Europe's citizens depended, in part, on the Commission's ability to uphold collective goals and interpretations of shared purposes and agreements.

The political context of Community regional policy

The rapid progress of the Community in the 1960s convinced most policy makers in the founder member states and the Commission that they were set on a sensible course that

would lead to economic and political integration. Members had, they thought, identified a series of manageable tasks to be pursued together, in which all member states would be involved on broadly the same basis (Wallace and Ridley 1985: 2). The preamble to the Treaty of Rome stated that member states were:

> anxious to strengthen the unity of their economies and to ensure harmonious development by reducing the differences existing between the various regions and the backwardness of the less-favoured regions

but there was no provision for a common regional policy. It has been suggested that the initial absence of a Community-level regional policy owes much to the fact that the founders of the Community expected the growth of the 1950s and 1960s to reduce disparities automatically (see George 1983). In the early years it was widely assumed that the Common Market would generate enough growth to solve regional economic problems without specific corrective measures. A number of clauses of the Treaty of Rome did, however, carry implications for regional policy and its development. For example, Article 56 included provision for direct financial intervention to aid 're-adaptation' and 're-conversion' in the coal and steel industries via the European Coal and Steel Community funds. In addition, Article 80 on transport policy had regional implications, and the European Investment Bank (empowered to finance projects in less-developed regions) had been established. Finally, Article 92 allowed regional exceptions to be made in proposed Community controls over state aid. Thus, although there was no firm Treaty base for a common regional policy *per se*, on the basis of these clauses a case for a Community regional policy could be argued (Wallace 1977: 139).

With the development of the Communities, regional elements came to be included in other areas of policy. The European Social Fund was created in 1958[5] and restructured in 1971. The European Agricultural Guidance and Guarantee Fund,[6] in like manner, provided opportunities for financial aid to backward regions. Thus, by 1972 there was a cluster of policy instruments in place which though they impinged on regional development lacked any overall coherence or clear definition of regional priorities.

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[5] The European Social Fund (Article 3(1) and Articles 123-8, Title III, Chapter 2, Treaty of Rome). The European Social Fund (ESF) was set up to develop 'employment opportunities for workers' and to raise their standard of living.

[6] The European Agricultural Guidance and Guarantee Fund (EAGGF) set up in 1962. The guarantee element of the Fund would deal with price mechanisms, the guidance section with structural reform in EU agriculture.

Alongside these developments, many governments in Western Europe had begun to assemble their own array of instruments and incentives to assist deprived regions to activate transfers of economic resources within national boundaries. Regional policy, for many of the states, represented an important element of domestic economic management at a time when national governments were beset by an amalgam of economic, social and political pressures. The fact that most member states already operated national policies rendered questionable the need for a Community role. Indeed, some critics of the notion that the Community should adopt its own regional policy cited the experience of the UK, and its efforts to deliver a coherent regional policy, as a series of lessons to which the Commission might do well to pay heed (see Nevin 1990).

Firstly, in Britain, the absence of accepted economic criteria made it difficult to identify the types of policy instruments most likely to be effective. Secondly, the development of national regional policies reflected diverse political constraints as much as it served economic goals. Thirdly, the formulation of coherent national objectives was undermined by the fact that the management function of regional policies had to be dispersed, in all countries, through several national ministries and sub-national tiers of government, as well as para-state organisations. This resulted in competing domestic pressures, which were both political and administrative. Nevin, in a very vigorous argument, maintains that:

> It could be reasonably said that the spirit of the Treaty [of Rome] – and particularly its strong emphasis on the desirability of removing impediments to, or distortions in, trade between member countries – was inherently antagonistic to the sort of measures which have come to be associated with regional policy.

Thus, lack of coherence and definition in Community instruments, and the considerable problems experienced by member states in the operation of their own *domestic* regional policies, combined to persuade many Community actors that they were unlikely to be able to formulate a common response to the 'regional policy problem'. Indeed, some member states were of the opinion that such a course was neither necessary nor desirable, and that it did not accord with the *acquis communautaire* (Nevin 1990: 332). Practical disagreements such as these had the potential to keep introduction of a regional policy for the Community off the agenda at this stage.

The Hallstein Commission

The first years of the Community had seen a dynamic, rather aggressive Commission

under the presidency of Walter Hallstein, that proposed and pushed hard for initiatives to such an extent that it was widely regarded as the motor force of the Community (Urwin 1993: 135). But from another perspective, it might be said that the Commission, though energetic, was in fact only carrying out a series of constitutionally prescribed measures set out by the original six in Rome. These included steps towards europeanization through the harmonization of national programmes for regional aid. Between 1961 and 1965 the Commission, as well as working to establish standard criteria for regional subsidy programmes, had been actively engaged in promoting the case for a Community regional policy among member states. The Commission saw the co-ordination of regional policy measures as its most pressing task, and its first move was to call a conference of experts from each of the member countries at which a number of papers on Europe's problem regions were presented.[7] Working groups were then set up to prepare reports on three different aspects of the regional problem:

- The problem of regions in need of development
- The conversion of old industrial regions and
- The effectiveness of different measures pursued by member countries.

These reports were summarized and developed to form the Commission's own views on regional policy in a memorandum published in 1965.[8]

In June 1965 the Memorandum was presented to the Council, outlining the 'Community' approach to a regional policy envisaged by the Commission (Commission of the European Communities 1965). The proposed Action Programme was not really the basis of a common policy so much as a survey of the existing situation with the Commission's own view of the type of measures which would be most suitable (McCrone 1971):

> The task laid down by the Treaty, i.e. to ensure the harmonious development of economic life within the Community and a steady and balanced economic expansion, cannot be accomplished without an active regional policy
>
> (McCrone 1971:256)

In this document, the Commission suggested that member states make regional plans for as many regions as possible in the Community. The Memorandum called for action by the

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[7] For full details of the sequence of events see McCrone (1971).

[8] *Regional Policy in the European Community*, Community Topics document 24 1965. This report also forms the basis of the Chapter on regional policy in the *Preliminary Draft of a First Medium Term Economic Policy Programme, 1966-7-*, 788/11/1966/E Brussels 1966

member states and by the Commission, and for effective cooperation between national and Community authorities. In other words, the Commission raised the profile of regional policy by placing it on the Community agenda, making it the subject of debate. However, the Hallstein Commission was about to be caught up in a series of political upheavals in the Community which would, to some extent, overshadow its efforts to promote a European regional policy.

The Luxembourg Compromise

The crisis which brought about the Luxembourg Compromise has been well documented.[9] Application by Britain to join the Community brought to the surface a number of dormant disputes about the nature of the Europe that the six wanted to construct and the proper relationship between the Community and the member states. In effect, the Monnet method of partnership in conducting Community affairs was being challenged by other approaches to the use of collective institutions. De Gaulle, President of France, took the view that the Commission's 1965 proposals for an Action Programme (despite the fact that they favoured France in terms of secured agricultural funding and budgetary solidarity) came at an institutional price that was too high.[10] If de Gaulle had his way, the Monnet method of partnership would be replaced by a negotiation method more characteristic of Gaullism. Such a move had concomitant implications for the Commission's potential in policy-making if this process too followed the negotiation method. The French government took on the mantle of defender of member state powers in a series of confrontations over issues of 'high' politics, shifting the focus from positive working in partnership to adopting a position and being prepared to fight for it.[11] Wallace (1996) argues that the shift took root not only in political decision-making but also in policy decision-making. The shift to negotiation as the predominant policy-making method is not seen by Wallace as being essentially antagonistic as such, but rather: 'a guarded approach to policy extension and a sharp insistence on entrenching the interests of particular clients of policy in the policy rules and in the institutions' (Wallace 1996: 46).

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[9] For a full discussion of matters relating to the Luxembourg Compromise see Urwin (1993: pp. 113-115).
[10] Specifically, de Gaulle was opposed to the idea of greater Commission autonomy; the beginnings of a real role for the European Parliament and clear agreements to use the treaty provisions on qualified majority voting (QMV) in the Council.
[11] High politics are policy issues traditionally defined as core prerogatives of statehood such as economic policy, external security and defence.

In the event, in January 1966, agreement was reached in Luxembourg that, in practice, unanimity in the Council of Ministers be retained, and that the scope for the common institutions be restrained (with the Commission having less room for manoeuvre and the development of the Parliament curtailed). The effect of the crisis and the manner in which it was resolved was that the future of the Community would be much more as an intergovernmental union of independent states. Not surprisingly, after 1965, there was a new reality in the Community when France, in the person of de Gaulle, opposed Hallstein's re-appointment as Commission President. Hallstein resigned rather than fight. Thus, when the newly merged executives of the three original communities (those of the EEC, the ECSC and Euratom) began to work as the single Commission of the re-named European Communities, it was headed by Jean Rey of Belgium.

The real implication of the Luxembourg Compromise was that the importance of the Council of Ministers was significantly increased. The Commission still retained the power of policy initiation and the ability to put proposals before the Council of Ministers. But the signs were that, more and more, major proposals and initiation would emanate from national governments. It is widely acknowledged that France emerged as the victor in Luxembourg, with West Germany (the only possible contender for the 'leadership' of the Community) perhaps understandably seeming reluctant to make any moves in that direction. The relationship between these two member states would become increasingly important, in that the Commission would find it difficult to make a decisive move without at least some of the groundwork having been done by one or more of these national governments. This situation was likely to inhibit the bureaucrats' ability to formulate and design policy in the future.

3. 2 Community politics post-1967

The *will* to frame on this issue, however, still persisted within the Commission. Within the political context outlined above, attempts were made to draw up a medium-term economic policy within the Commission, which included references to the desirability of increasing the Community role in regional and structural policies. These actions, combined with the administrative element, the setting up of the new Directorate General DG XVI, under Hans von der Groben, served to heighten emphasis on the importance of regional policy. In a speech to the European Parliament, then President of the Commission, Jean Rey, reflected the Commission's view as to why a Community regional policy was desirable: 'Regional

policy in the Community should be as the heart is in the human body...and should aim to reanimate life in the regions which have been denied it' (Rey 1968). The Commission was promoting its perception of the resolution of 'the regional problem' (the re-animation of actors at local and regional level) in its contribution to the policy discourse at the supranational level.

The 1965 Memorandum proposing a Community regional policy had failed to impress the member states, France in particular (Commission of the European Communities 1965). A second Memorandum was submitted to the Council of Ministers on 17 October 1969 (Commission of the European Communities 1969) arguing that the continued existence of serious disparities held back the successful implementation of other Community policies. Calling for a more thorough examination of regional problems (to identify areas for substantive proposals) the Commission proposed the creation of a Standing Regional Committee, and advocated a Regional Development Fund. Even in these early years, the Commission was attempting to propose a salient frame for a Community regional policy which would meet the normative aspirations and functional demands of member states.

Broadly speaking, the Commission maintained that without the infrastructure, the public facilities and, more generally, the environment required for the exercise of modern economic activities and for the satisfaction of peoples' need for the amenities of civilisation, a region could not constitute an operational unit in economic and social policy, even if it had been well established along traditional lines. It was the duty of the public authorities at all levels to take action to see that these conditions were met:

> These conditions are absolutely essential to back up the work of those whose aim is to promote the development of their region, helped by their attachment to it, their ingenuity, their dynamism - factors without which it would be impossible to bring about the necessary changes
> (Commission of the European Communities 1969: 27)

Nor did the Commission envisage this task being exclusive to national governments. Regional and local authorities were also seen as being affected: "It is important that they too should be able to initiate action in the best possible circumstances" (ibid). Regional equilibrium in the Community might depend on the action they took, therefore there had to be facilities for encouraging such initiatives. For the Commission, in 1969, the region could no longer be considered just as an entity that had evolved with the passage of time. The facilities created by the location of modern society's activities and communities would

increasingly be the result of the initiatives taken by its dynamic forces (its sub-national actors) backed by an active policy on the part of the public authorities. Public authorities, in this instance, referred to regional and local authorities as well as national governments. This was the Commission's stated case for a Community regional policy.

However, the member states, after a tortuous process of formal consultation taking over two and a half years, still failed to accept the terms of the second Memorandum. Italy alone was patently committed to the desirability of a role for the Commission in regional development. The German government favoured only modest regional expenditure restricted to the European Agricultural Guidance and Guarantee Fund, whilst the French wanted to limit Community funding to the European Investment Bank, with no role for the Commission. The Belgians, on the other hand, would not accept any Community policy, which did not endorse their own policy towards internal tensions (Puchala 1975).[12] The Memorandum was construed by member states as timid and lacking in clear policy objectives, a fact which did little to engender their confidence in the emergence of a positive Community policy. The frame offered as a guiding post for regional development by the Commission had failed to convince member states of its potential for effectiveness. In other words, the Commission had failed to make its case.

The revival of the debate owed much to the publication of the Werner Report (1970). The Heads of State, at a summit in The Hague in 1969, had accepted the creation of an Economic and Monetary Union as a goal for Community development. The Werner Committee reached the conclusion that an overall plan for the construction of economic and monetary union had to be initiated. This plan would set out a global economic framework, incorporating the individual sectoral policies of the Communities. Consideration of the 'economic' factor led to subsequent pronouncements on the part of the Council of Ministers, emphasising the need to 'remedy structural and regional imbalances' and calling for the use of EAGGF resources to foster regional development. The case for the creation of 'a Regional Development Fund or any other system that will provide the requisite Community resources for regional development' was accepted (Council of the European Communities 1972), and led to resubmission by the Commission to the Council of its 1969 Memorandum on 19 June 1972.

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[12] The Belgian government found itself between the Commission pushing for an economically rationalized regional aid policy, and strong linguistic group interests calling for aid disseminated according to the "political arithmetic" of ethnicity (Puchala 1975: 508).

In 1965, the Commission's first attempt to convince member states of the need for a Community regional policy did not succeed. In the wake of the crisis at the time of the Luxembourg Compromise, member states appeared to have re-imposed their authority on the Community policy process and the initiation of policy ideas. The Commission did not have their support for its policy ideas on how sub-national authorities and other actors could be mobilised in the delivery of policy. However, under President Rey, the issue of a regional policy for the Community was kept on the agenda, as national governments were pressed to participate in data-gathering exercises in their own regions to identify specific problems. But it was only when member states perceived a Community regional policy as the means of facilitating *their* interests, and *their* functional aspirations in the direction of Economic and Monetary Union, that they jointly agreed to setting one up.

A critical juncture

Economic concerns represented only one strand of the debate surrounding the proposed creation of an Economic and Monetary Union. A second strand concerned the political implications of the proposed enlargement of the Communities. Any inclusion of further areas that by any criteria were impoverished would immediately add to the Communities' regional problems. Accession of the new members, UK, Denmark and Ireland in 1973 raised some doubts about the feasibility of maintaining momentum in the face of the disparate policy interests they represented. While Ireland's difficulties might be alleviated by the allocation of EAGGF resources, the problems being suffered by the disadvantaged British regions were of an industrial rather than an agricultural nature. Calculations made in 1971/72 seemed to suggest that Britain would be a net contributor to the Community budget, therefore Whitehall officials had to give serious attention to areas of potential Community expenditure from which Britain might be seen to benefit. In the face of diminishing public support for the whole concept of British accession, ministers and officials had to wring immediate concessions from their new partners to demonstrate tangible evidence of the rewards of Community membership to an increasingly sceptical electorate.

The goal of EMU necessitated convergence of member states' economies and public expenditure patterns by means of two processes:

1. The narrowing of margins of adjustment of the exchange rates between member states' currencies and

2. Increased co-ordination of national *economic* policies. EMU would prevent member countries devaluing currencies to protect low-productivity sectors and regions. In addition, according to conventional theories of *economic* integration, factor prices (labour and capital) would tend to equalise *between* various regions and therefore discriminate not only against low-productivity areas, but also undermine the chances of natural self-correcting mechanisms (emigration etc.). A Community-level redistribution mechanism between member states was therefore required.

The decision was taken at the Paris Summit of October 1972 to analyse the extent of regional disparities throughout the Community, and to set up a Fund by the end of 1973. The new members of the Communities were involved, for the first time, in discussing future goals and policy priorities, and the participants at the Summit accepted the importance of regional policy, calling on the Commission to prepare a report 'without delay'. The report produced by the Commission in 1973 recorded the terms of the original communique:

> From now on they [the member states] undertake to co-ordinate their regional policies. Desirous of directing that effort towards finding a Community solution to regional problems, they invite the Community institutions to create a Regional Development Fund. This will be set up before 31 December 1973 and will be financed, from the second phase of Economic and Monetary Union, from the Community's own resources. Intervention by the fund in co-ordination with national aids should permit, progressively with the realisation of Economic and Monetary Union, the correction of the main regional imbalances in the enlarged Community, particularly those resulting from the preponderance of agriculture and from industrial change and structural underemployment
> (Commission of the European Communities 1973: 195)

In the wider context of enlargement, the reaction of the founder members was to 'sharpen the definition of the prevailing orthodoxies'. In other words, the founder members wished to avoid the institutional problems which might arise from the accession of new members, if the rules of the Treaties were disregarded. The existing policy objectives and instruments had to be fully accepted by the governments of the accession countries, if new policies were to be embraced which might benefit them. Out of this debate emerged the symbol of the *acquis communautaire* as shorthand for everything agreed within the Community

(Wallace and Ridley 1985:3).[13] Wallace argued that the desire to ward off erosion of the core commitments previously embraced by the six founder members should not be taken as a sign of their homogeneity which was, in her view, considerably overstated. In the Community, as it existed in 1973, the new members were not joining a Monnet-style partnership, they were entering an arena where negotiated settlement was the order of the day. This fact is worth bearing in mind when considering further developments.

Indeed, examination of the negotiations which took place on the road to building a Community regional policy makes it quite plain that each individual member state came to the bargaining table with a variety of disparate political and policy ideas and interests. That said, the Treaties were presented as the 'symbolic glue', which would bind member states together in the enlarged Community. They had agreed on the need for a Community regional policy, and the Commission's next task would be to attempt to frame a regional policy to which all member states could subscribe.

3. 3 Post-decisional politics and beyond

The Commission's progress

Responsibility for overseeing the preparation of a Report and the establishment of the European Regional Development Fund was given over to George Thomson, Commissioner for Regional Policy: a Scot, a former Labour minister and a convinced European. The Commission could not be described as operating from a position of strength at this time. Several factors may have accounted for the perceived 'timidity' of the Commission in not pressing its original 1969 proposals. The after effects of the Luxembourg Compromise had taken their toll of the institution. The Community had become much more of an intergovernmental union of independent states, and the Commission's room for manoeuvre (in being the proposer of frames for the resolution of Community problems) had been constrained. Luxembourg had, for some scholars, had the effect of dashing the Commission's hopes for an independent sphere of action, and weakened its position in the decision-making process (see Bertram 1967; Lodge 1974).

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[13] Precedent was becoming a powerful argument for encouraging the acceptance of Community authority and extensions of policy rules. The terminology of the *acquis communautaire* exemplifies this as the inducement to fall into line. The *acquis* is shorthand for the accumulated obligations and commitments agreed under the Treaties and the legislation of the Community over the years (see Wallace and Ridley 1985; Wallace 1996; 2000).

The constraints imposed by member states on the Commission's activity post-1966 were compounded by increased bureaucratization, which might also arguably have played a part in the institution's apparent decline.[14] Within the Commission, as standard operating procedures came to be established, and the orthodoxies of 'appropriate behaviour' came to be acquired, the search for new policy proposals became increasingly pre-defined by precedent. The Commission was thus less well adapted to playing a coherent role as an innovative policy framer.

The Thomson Report

The Commission's proposals in the 1969 Memorandum to the Council had already been construed by member states as lacking in coherence. It was against this background that its officials attempted to fulfil the task assigned by the European Council, that of overseeing the Report on regional problems in the enlarged Community and establishing the European Regional Development Fund. There had been a lack of strong evidence in the events preceding the Paris Summit that, either DGXVI or the Commission as a whole, had defined a strategy to win support for a Community regional policy. That fact alone may have convinced Thomson and his *cabinet* of the urgent need to identify the strategy most likely to be effective in fulfilling the Summit mandate. In the period following the Paris Summit of 1972, two options were considered by the Commission. First, a European Regional Development Fund of such magnitude that it could take over the burden of national expenditure, or second, a smaller fund that would be effective in making additional resources available for regional development.

Bearing in mind that the first would have created a regional policy to benefit Britain, · Ireland and Italy (in the same way that the Common Agricultural Policy had served France and the Netherlands) it soon became clear that such a choice was unacceptable for both political and budgetary reasons. It would serve to antagonise at one and the same time the two most influential states in the Community, namely France and Germany. Thomson had to find a way of framing a policy which had emerged as the product of decisions of governments. He therefore had to adopt a more pragmatic approach. He had to devise a frame which would contribute to consensus formation in a complex multi-lateral setting.

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[14] Coombes (1970) argued that the Commission, in its early days, was composed of a partisan and committed group of people, with a strong sense of collective identity. But after completion of the customs union and the Common Agricultural Policy, the Commission became bureaucratised in adapting itself to more routine tasks and became more internally compartmentalized.

The Commission's rationale was that it would be more constructive to use a small fund to establish a Community foot in the door to a regional policy, than to risk failure by raising wider issues of principle. This decision was to have important consequences for the way in which the Commission framed its proposals.

Commissioner Thomson, anxious not lose the momentum of the Paris Summit, regarded speed as being of the essence. A particular kind of frame had to be found which would speed up the course of action. Instead of trying to build up a coalition of support among non-governmental bodies or regional interest groups, the Commission concentrated on a political deal which would arguably square the interests of the nine member state governments for whom, it was suggested, regional politics was far less important than 'purely local or purely global' concerns (See Hoffmann 1966). Thus the Commission focused on constructing a package of rewards that would satisfy the *demandeurs*, and persuade the other member governments that the ERDF would further their interests too. The language employed by the Commission in its *Report on the Regional Problems in the Enlarged Community* (the Thomson Report) reflected one of the fundamental objectives of the Treaty of Rome, that is to reduce the differences existing between the various regions and the backwardness of the least favoured regions, see **Box 3.1**

Box 3.1
The Thomson Report, 1973

Fundamental Objectives: to address the following issues

- It is morally inadmissible to allow extreme inequalities in living conditions to exist between regions, leaving workers no other alternative than to move to developed regions

- It is intolerable at the human level to allow large urban concentrations to exist in polluted environments

- It is clear that social costs of over-concentration in highly-developed regions and non-utilization of resources in less well-developed regions needs a policy designed to bring those extreme situations into balance.

To these moral, human and economic considerations was added the rider that: 'it seems that a reduction in regional disparities is an essential pre-requisite for the economic and monetary union which is to be completed in 1980' (Commission of the European Communities 1973: 195). The Thomson Report is significant because it examined not only

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those instruments which had an explicit geographical allocation, but also estimated the regional distribution of the European Social Fund and the Guarantee Section of the European Agricultural Guidance and Guarantee Fund. The overall picture which emerged was one of a set of relatively disconnected instruments in which: 'the regions which benefited most from Community financing were not always the ones most in need of regional development assistance' (Commission of the European Communities 1973).

The continuous and balanced expansion in economic activity promoted by the Treaty of Rome was increasingly threatened by the existence of wide and growing divergences in economic performance in Community regions. Regional disparities, by definition, are created when there is not a balance of expansion among regions. But because they represent the inefficient use of resources, regional disparities also work against continuous expansion in the weaker regions. This situation has the effect of limiting the size of the potential market for the products of the stronger regions, and limiting the expansion of the Community economy as a whole. The normative aims and objectives of Community regional policy (the need to re-animate sub-national authorities and other actors at that level) and the need for the redirection of the instruments already at the Community's disposal for the distribution of funds, were all laid out in the Thomson Report

Who gets what in Community regional policy?

Despite the high moral tone of the Report, however, and the way in which the problem of regional imbalances was clearly identified, the actual task of creating a regional development fund acceptable to all member states proved far from straightforward. "Post-decisional politics" in the minds of member states had, up to this time, been characterised by their making an individual commitment to Brussels to execute an agreed-upon policy at the domestic regional level. The policies in question were all concerned with transnational harmonization: in other words with pushing forward toward economic union. The idea of Economic and Monetary Union had fitted with the desire to extend the customs union, was in keeping with the notion of spillover, and was central to Community development. Monetary union was the most fundamental policy required for a true economic community, since monetary policy decisions have a pervasive influence on the whole of society. The Council had optimistically set January 1974 as the date for the policy's completion. But a series of international economic and political developments (including the 1973 Yom

Kippur war between Israel and the neighbouring Arab states) had the effect of challenging Community monetary stability.[15]

1973 was not a good year for the Community. Failure to develop a concerted economic or political response to the crisis demonstrated how easily narrow national interests could uproot the common structure. The heads of state and government, meeting in Copenhagen in 1973 commented on EMU, social policy, energy policy and the creation of a regional fund. But in doing so, the Council failed to make clear how these putative objectives could be implemented. Lack of leadership within the Community was leaving the prospect of advancing policy on EMU withering on the vine. This despite Thompson's argument that judicious use of the ERDF would facilitate economic convergence and help to pave the way towards EMU in the long run. One of the Commission's cards in pressing for the rapid establishment of the ERDF was removed, due to the agreed abandonment of the commitment to EMU for the foreseeable future.

In addition to this weakening of the Commission's economic case, member state governments disagreed over three key issues:

- The definition of regions eligible for assistance
- The size of the Fund
- The allocation mechanism.

In respect of each of these issues, there was a retreat from the ambitious proposals of the Thomson Report. Insofar as definition of the regions was concerned, the Commission had been assigned the difficult task of producing a standardised survey of regional disparities in the European Community, incorporating the diverse sets of data submitted by member governments. Ultimately, the only politically acceptable solution necessitated taking as a basis those areas already defined by member state governments as needing assistance, for the purposes of their own domestic regional policies.

In terms of finance and the proposed figure of £900m. allocated by the Commission for the period 1974-76, the West German government, under new leader Helmut Schmidt, was increasingly prepared to use its economic weight as the major net contributor. The West Germans, more than ever pre-occupied with restraining the growth of the Community

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[15] For full details of events relating to the abandonment of plans to further EMU at this time, see Dinan (1994)

budget and ensuring that its resources were used effectively and efficiently, held to their position for a modest fund. They advocated £250m. for the same period. Negotiations were difficult and protracted. The French, with Valery Giscard-d'Estaing in charge, took the lead and called a summit meeting in Paris in September 1974 where government leaders, jointly and individually, declared themselves ready to take greater responsibility for European affairs.

From the presentation of the Thomson Report in 1973 until November 1974, fourteen different arrangements were proposed by the European Commission and member governments. The deadlock was only broken when Italy and Ireland threatened to pull out of the compromise reached at the Paris summit in December 1974, at which the figure of £540m. was agreed for the period 1975-78. The Paris summit set the tone for the future by combining a review of general future progress in conjunction with a discussion of policy details. In doing so, the summit blurred the divide between Community-specific items, national problems, and the broader issues of international politics. Agreement reached here saw the chief *demandeurs* (Britain, Ireland and Italy) receive 74 per cent of the ERDF, with the French being allocated a further 15 per cent. This agreement to share the fund among the nine member states according to a fixed quota system represented not a targeting of resources at areas of greatest need, but a national 'carve-up' built into the ERDF, which left little potential for the Commission to play an active role in policy development.

3. 4 Framing: a first attempt

The Thomson Report provides a graphic illustration of the 'semantic confusion' provoked by the Commission's attempts to frame the first Community regional policy. Alongside talk of regional *economic* policy and measures to reduce disparities in the economic prosperity of regions within the Community, there is talk of the 'moral basis' of regionalism (references to the historical and cultural values which are the moral wealth of each region). No firm proposals had been put forward for implementation of the policy, but the Report contained implicit recommendations as to how the Community's policy might be delivered, that is to say by regional and local authorities.

Some would argue that the development of regional machinery to implement Community regional policy held strong *prima facie* affinities to the Federalist notion of "Europe of the

Regions".[16] In his particularly scathing critique, Rhodes (1974) lambasted Thomson for wandering away from its basic starting point of regional economic planning without ever being clear about its objectives for doing so. He did not accept that a regional level of administration was either necessary or desirable: 'It is possible that the existing machinery of government (i.e. local government) is more than adequate for the task' (Rhodes 1974: 112). Basically, Rhodes took the view that, in raising the concept of regionalism and attempting to use it as a normative context within which to frame Community regional policy, the Commission succeeded only in muddying the waters in matters which were clearly the perquisites of national governments. In other words, national governments presided over the distribution of areal powers within their territories, and they had a history in the Community of asserting their primacy over supranational considerations. There was no reason to anticipate that national governments would allow regional government/devolution to come about through a gradual transformation of regional economic planning. For Rhodes, the policy was a non-starter because it failed to recognise the basic fact of Community existence in the early 1970s, the primacy of national governments.

It should be noted that the discussion which took place around the time of the first enlargement came to centre on just *one* aspect of a common regional policy – the creation of the ERDF. It might be argued, as Wallace does, that regional policy escalated into an issue of high political saliency in 1973-74 with Gaullist-style negotiations taking place either in Summit meetings or in the General Council of Foreign Ministers, rather than among ministers more immediately involved in regional policy (See Wallace 1977). In other words, the regional policy debate was high-jacked by members of national governments at the highest level. The functional and normative expectations of member state governments differed to such an extent that it was virtually impossible for a conceptually-based frame to be produced which was both promising in terms of procedural benefits, and did not violate the perceived 'stake' of the member state actors concerned.

The Commission was the single actor in the policy process capable of standing back from the political bargaining and underpinning the debate with *detailed analysis* of the economic

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[16] The notion draws upon the work of writers on federalism such as Brittan (1972) and Banks (1971) and federalists in the European Movement. The shared implication in this literature is of a shift of authority in decision-making away from the nation state on the grounds that for issues such defence, transport or energy the nation state is too small, and for welfare or any real sense of belonging it is too big. Maximum devolution to those levels of government which are closest to the citizen is advocated.

imbalances the ERDF was meant to rectify or, at the very least mitigate. The institution might have been able to nurture some technocratic consensus had the issue not had such a high political profile. As it was, Commissioner Thomson and DGXVI, in their attempts to manoeuvre within the constraints imposed by member governments, essentially found themselves between a rock and a hard place. They had to opt for the politics of persuasion. This situation, plus the lack of a clear consensus *within* the Commission as a whole (given the cross-linkages between regional policy and other policies such as competition) led it to abandon the option of framing regional policy as an over-arching or global policy sector, which would pull together the regional elements in other sectors. The bureaucrats opted instead for a narrower definition of regional policy, making a series of tentative steps towards improving co-ordination between DGXVI and the other DGs, and with the European Investment Bank.

Conclusions

This chapter set out to examine the evolution and development of Community regional policy in the context of the evolution of the European Community as a whole. It began by reviewing the internal decision-making processes and how changes in these processes affected the way in which the European Commission was able to initiate policy according to its own policy ideas. The Commission led by Jean Rey still clung to its Monnet-type role as guardian of the interests of the collectivity, and to upholding collective goals and interpretations of shared purposes. These ideas formed the basis of its case for a Community regional policy.

But when Commissioner Thomson went out to bat in 1972/73 on behalf of a regional policy (and the ideas surrounding it) he found himself facing a Gaullist scenario which placed defence of national interests at the top of the agenda, and favoured the entrenchment of those national interests in any agreement by means of negotiation and hard bargaining. The two institutions – the Council of Ministers and the Commission – had, to some extent, moved away from a parallel relationship or one in which they at least worked in tandem to one in which national governments saw themselves as being firmly in the driving seat. In terms of the Community's institutions, the predominance of this image began to undermine neofunctionalist explanations of developments as outlined in Chapter 2.1. Images in which the supranational institutions were the vehicle through which shared common goods were defined and delivered, coexisting with the institutions of the member states and perhaps in

time replacing them as the primary focus of activity, increasingly gave way to intergovernmentalism as the more common model utilised in this sector.

It should be noted here that the 'summit' meetings of heads of state and governments in The Hague in 1969 and in Paris in 1972 (Ch. 3.2: 47-49) set a precedent for establishment of the body which would come to be known as the European Council. Successive treaty reforms have given the European Council a more formal basis, but it continues to operate to an extent outside the main institutional structure (Wallace 2000: 20). National delegations are restricted in the main to presidents/prime ministers and their foreign ministers. Post-1985, and the negotiations over the Single European Act, the European Council would become the key forum for determining treaty reforms, and it would increasingly be the venue for addressing what Peterson (1995) refers to as 'the history-making decisions'. In other words, it would address the big and more strategic questions concerning the core tasks of the EU and how its identity is defined as an arena for collective action as is further explained in Chapter 5. The notionally single Council of Ministers would subsequently fragment into a variety of specialist Councils (such as that on regional policy) but here, unless specifically stated otherwise, the Council of the European Communities/European Union is the term used to describe the body passing legislation on Community regional policy.

Much of the early literature surrounding the Commission's first attempts to promote a common regional policy and the subsequent emergence of the new European Regional Development Fund reflects the intergovernmentalist perspective. Commentators tend to support the view that the 'compensatory' element was dominant at the creation of the ERDF. Some would argue that from the outset the fund was designed to *compensate* member states (primarily the UK) for contributions to the Community budget. All that was being sought was an institutional subsidy (in plain language a bribe), and an integrated community policy for regional development was not on the agenda (George 1996: 233). It might be argued that the compensational logic, which apparently motivated Community regional policy, was an indicator that member states reserved their rights to interpret the regional problem and its possible solution in their own way. In other words, national governments thought they should be compensated for the loss of control of instruments of economic policy such as the levying of customs duties, currency flexibility, industrial subsidies and other measures which otherwise would have been used to protect the interests of their own economies (Holland 1976).

The Commission's stated case for a regional policy for the Community in 1969 has been outlined earlier in this chapter, as were the problems in operationalizing of member states' own *domestic* regional policies. The selection of appropriate policy instruments had always been problematic in the domestic context, given the disparities which existed within and among regions in the Community. Individual national governments had traditionally had to manufacture their own solutions to these problems in the period earlier referred to as that of "post-decisional politics". The European Commission had sought to shape strategic regional development programmes involving public actors at all levels throughout the Community. In other words, it sought to mobilise sub-national actors by means of initiatives ideally taken by the Community 'dynamic forces' at local and regional levels. But the concept on which the Commission's framing was based (namely the need to address the moral, economic and human issued raised by regional disparities) identified in the Thomson Report, arguably cut little ice with national governments intent on protecting their own countries' interests and, not least, their own political prospects. For them, regional disparities were a *political* problem which required a political solution.

The Commission, it is argued here, failed in its attempt to design the first of a succession of policy frames, which would shape the way Community actors perceived the aims and objectives of Community regional policy, and to embed that perception in the institutional framework of the Community. It lacked the ability to persuade member state governments of the efficacy of a Community regional policy based on its own policy ideas, that is to say ideas which had at their core a policy framed in the context of norms and values aimed at alleviating disparities between the regions. On the contrary, some of the Commission's pronouncements, the Thomson Report in particular, with its apparent inter-twining of a regional economic policy for the Community with the federalist notion of a "Europe of the Regions" was construed by writers such as Rhodes as threatening the primacy of national governments. The Commission had to settle for what were afterwards described as "accompanying measures", despite years of producing innovative policy ideas, proposals and contributions to the policy discourse. It was unable, in the face of a diversity of functional and normative expectations and aspirations, interests and political traditions, to frame a regional policy which would be both a reflective image of the commitments made in the *acquis communautaire*, and economically and politically acceptable to national governments. A gradual erosion of its cohesive identity and leadership capacity had laid the institution open to being weakened by institutional change in the form of the move

away from the Monnet method of partnership to the Gaullist method of negotiation from 1965 onwards.

Meny *et al.* (1996) take the view that at the end of the twentieth century no domain of public policy can any longer be isolated from the European policy process. It has become an obligatory channel of influence for civil servants, political actors or representatives of interest groups. They do not see this convergence of policies as entailing harmonization, but rather the progressive emergence of a bundle of common norms, the evolution of which escapes the control of any particular state and yet they decisively influence the behaviour of public policy actors. This creates a permanent challenge to national political systems, which are forced to adapt to a normative and strategic environment that they have as yet only partially mastered. In the field of Community regional policy, it is possible to discern in the European Commission's early attempts to design a regional policy frame, the tentative introduction of such norms. The Commission's intention was to fulfil its original role in upholding collective goals and interpreting shared purposes and agreements in the interests of the collectivity of Europe's citizens. In order to do so, it attempted to secure a key role for itself in regional policy development and then to promote a policy which would 'mobilise' sub-national authorities and other actors. The Commission was unsuccessful in the early 1970s in that it failed to 'embed' its perception of the 'regional problem' and how it might be resolved in the institutional framework of the Community.

Chapter 4: Community Regional policy and the European Regional Development Fund (1974-1988)

Introduction

This chapter focuses on the tensions which surrounded the emerging European Regional Development Fund (ERDF) from 1974, and specifically on its capacity to perform either a developmental or a compensatory function. It looks at the way in which the European Commission's then Directorate General XVI (Regional Policies) consistently sought to re-frame the ERDF (by means of amendments to its regulations) away from being a naked channel for rebates, and towards the positive objectives of regional development. Chapter 3 catalogued a series of failures on the part of the Commission and its aim to frame a Community regional policy capable of drawing regional and local actors into the policy process. The main purpose of this chapter is to find out what progress, if any, the Commission made in its pursuit of this aim in the decade that followed.

Traditionally, the existence of regional disparities in the European Community had never of itself been a sufficient reason for the development of a common regional policy. Despite the fact that it had been apparent from the outset that approaches to differences in levels of regional economic development varied significantly throughout the Community, an explicit regional package did not emerge until the mid-1970s. The policy's history reflects the conflicts of interest between member states, as well as the wider tensions between them and the Commission. The process of restructuring the Community budget, in the wake of the first enlargement and against a background of severe economic crisis in Europe, was hampered from the outset. Chapter 3 documented in the protracted and difficult debate on the allocation of budget finance for the European Regional Development Fund, which took place between accession partners (United Kingdom, Ireland and Denmark), the *demandeurs*, and the chief paymaster (Germany) in 1973-74.

This scenario fundamentally affected the context within which the Community had to anticipate the financial consequences of the *second* enlargement (which would include Greece, Portugal and Spain). It crucially constrained the extent to which the European Commission was able to pursue its normative policy ideas outlined in the ambitious proposals of the Thomson Report of 1973. The proposals had represented an attempt to instil the Commission's normative ideas and beliefs, and its policy preferences, on the

reduction of European regional disparities, within institutions such as the European Council and the Council of Ministers. In the *Report on the Regional Problems in the Enlarged Community* (Commission of the European Communities 1973) the Commission had illustrated ways in which such normative ideas might be transmitted from their institutional setting to the policy process by means of a framework based on those ideas, referred to here as a policy frame. It was a first attempt at such an exercise. Over the next decade there would be a series of such proposals submitted for amending the 1975 ERDF Regulations that is to say from 1977 onwards. These proposals represent a succession of 'policy frames', documented attempts on the part of the Commission to re-shape the way policy actors in member states considered existing regional problems and how they might be resolved.

This chapter explores the often-expressed view that the *original* structure of the ERDF Regulations appeared to afford little opportunity for the Commission to play an active role in a Community regional policy, either in influencing monetary allocations to member states or fostering direct contacts with sub-national authorities in the member states. Attention is directed towards establishing where the Commission did make early progress in the direction of a supranational policy for the regions, in which sub-national actors might have a role to play, and the new policy ideas it developed as a means of achieving this end. These ideas included the creation and development of a non-quota section of Community assistance in 1979, and the programme approach to administering funds, introduced in 1984. The analytical focus centres on the role played by the Commission in formulating and re-formulating proposals, designing and re-designing regulations, framing and re-framing a Community regional policy reflecting, at least to some extent, the institution's own policy ideas. The aim is to establish whether or not, over time, this process created opportunities for sub-national authorities to become involved in the Community regional policy process.

4. 1 The initial regional package in 1975

Reflections

Early writing on the position of the Commission in the development of the policy tended to focus more on how it sought to pursue a number of underlying, and at times not very

clearly thought out, objectives (see, for example Rhodes 1974; Wallace 1977) This focus reflects the fact that this early phase in the policy's history was complicated by the ambiguity which surrounded the creation of the European Regional Development Fund. The fund had 'the capacity to fill two roles:

(i) the promotion of regional development, and/or

(ii) the provision of a channel for rebates to certain Member States for contributions to the EEC's budget considered to be excessive' (Buck 1975: 25-26).

The way in which the policy was framed by the Commission led to expectations that the Fund could fulfil both a development function and a compensatory function from the time of its creation. It is a prime example of frame conflict between that institution and member states. The Fund was a compromise solution to a conflict of policy frames which had been apparent since the run-up to the first enlargement in 1973. The ambiguity centres around the different perspectives which participants bring to the definition of an issue or problem (Etzioni 1976), and more specifically on the conflict between Commission ideas (on policy instruments oriented towards regional development) and those of national governments, who sought only a financial compensation mechanism for national treasuries. On the one hand, the Commission hoped that the Fund might fulfil a development function whereas, on the other, member states set great store by its potential as a compensatory function. Thus different participants in the Community regional policy process have attached different weight to each of these potential functions. Despite the fact that central governments in recipient member states have generally viewed the ERDF as a 'channel for rebates', its symbolic importance in regional development terms has often been regarded as having added value. Domestic constituencies had constantly to be satisfied that membership of the Community was beneficial in that it brought with it not only the benefit of a common market but also, in most cases, additional resources which could then be ploughed into regional development *within* member states as they saw fit.

This chapter aims to demonstrate that although DG XVI actively and consistently sought to increase the involvement of regional and local actors in the formulation and implementation of regional development programmes, this 'mobilisation' was not pursued as a means of restructuring the territorial distribution of power within the member states. Rather, it was seen by the Commission as a means of involving these actors in the delivery of European-funded regional development programmes. The result would be a more

effective and efficient delivery of policy. The focus for the Commission was on implementation rather than on a political input from the regions.

Assembling the initial package

Like many of the Community's grand initiatives, the ERDF was couched in ambiguity in order to achieve consensus, but it was arguably an important milestone at the time on the road towards economic integration in the European Community. For the first time since 1958, the Community had decided on specific measures designed to help reduce its regional disparities. The Fund's objective was set out in Article 1 of the Regulations, which stated that it [the Fund] was: 'intended to correct the principal regional imbalances within the Community resulting in particular from agricultural preponderance, industrial change and structural unemployment' (Council of the European Communities 1975: Art. 1). The Commission was given responsibility for administering the Fund, assisted by two Committees comprising national officials: the Regional Policy Committee and the Fund Management Committee. The former represented an arena within which policy controversies or conflicts of 'frame' might at least be addressed, if not wholly resolved. The principal task of the latter was to formulate opinions on the Commission's draft decisions to grant aid from the ERDF.

The heads of state and governments of the member states meeting at the Paris Conference on 10 December 1974, had set an allocation of approximately £500 million for the three year trial period from 1975 to 1977. It constituted only a very small proportion of the amount spent by states on their own domestic regional policies. One estimate suggested that, even on the most generous calculation, Fund commitments to the UK, for example, were well below 10% of domestic expenditure in this field (House of Lords 1977: 10). A *quota* system allocated the most important shares of the Fund to the UK, Italy and the Republic of Ireland, ostensibly to ensure that those countries deemed to have the most serious problems in terms of size and intensity were net beneficiaries. The key characteristic of this system, however, was that in fact there was something in it for everyone, including net budgetary contributors. The system was established against the advice of the Thomson Report (1973) but this key characteristic shaped the operation of the Fund in its early years.

The influential Report of 1973 had stressed that there must be standards to ensure that the means available to the Fund were used in a manner quite independent of any criterion of *juste retour* (compensation mechanism) and which reflected the size and urgency of the regional problems facing the Community: 'The acceptance of this principle will be an important test of Community solidarity' (Commission of the European Communities 1973: 12). In other words the Commission wished to stress the primacy of the Fund's regional development function, in order that there should be real concentration of aid for areas in most need. But it might reasonably be argued that the principle of *juste retour* was quite clearly reflected in the allocations made to member states under Article 2 of the Fund Regulations **See Box 4.1.**

Box 4.1	
Allocations made to member states from the ERDF	
Italy	40%
United Kingdom	28.8%
France	15%
Federal Republic of Germany	6.4%
Ireland	6%
Netherlands	1.7%
Denmark	1.3%
Luxembourg	0.1%
Belgium	1.35%

Only three countries, (the UK, Italy and the Republic of Ireland) obtained a net benefit from the Fund. In Germany, all of the ERDF aid was spent in areas that were wealthier than any part of the UK (House of Lords 1982: 94), thus reinforcing the argument of those commentators who saw the role of the Fund as that of a transfer mechanism between member states. It was not the outcome sought by the Commission. The fact that the quota system did not allow for a real concentration of resources in those areas most in need was viewed by the Commission as the most obvious evidence of the Fund's compensatory nature.

In operational terms, applications made by the appropriate departments of the member governments were to fall within one of a specified number of categories, broadly industrial

investment and infrastructure. Decisions concerning which projects were to be supported were vested in the Fund Management Committee and the European Commission. The Commission was required to consult the Fund Management Committee, set up under the Fund Regulation. The Committee met in Brussels three times a year under the *chair* of the European Commission but consisted of two representatives of each member state. It discussed batches of projects, whether they should receive assistance and at what grant rate (i.e. percentage of the Fund contribution).

The package adopted by the Council during 1975 and 1976 also involved the setting up of a consultative Regional Policy Committee. Long-advocated by the European Commission, the Committee was finally set up under a Council Decision (Council of the European Communities 1975). It too comprised two representatives from each of the member states (always senior civil servants with responsibility for regional policy) and the European Commission. In contrast with the Fund Management Committee, the Regional Policy Committee was chaired by an elected governmental representative. Its primary function was to seek a co-ordination of regional policies of the member states. Its tasks, in particular, were to examine at the request of the Council or the Commission, or on its own initiative, problems relating to regional development, the progress made or to be made towards solving them, and regional policy measures needed to further the achievement of the Community's regional objectives (Council of the European Communities 1975). In other words, the Policy Committee sought to discuss the overall framework of regional policy and the co-ordination of government actions. In this context the Committee approved the outline for Regional Development Programmes in October 1975.[1] These documents were to be submitted on a regular and up-dated basis by national governments in order to secure eligibility for ERDF support for their assisted regions. By setting out in a common format the nature of regional problems and specifying the regional measures being pursued (in each member state) it was hoped that they [RDPS] would provide the Commission with an overall and coherent perspective on regional imbalances and a mechanism for the more efficient allocation of ERDF assistance (Mawson *et al* 1985: 26-27). While the Fund Management Committee was an overtly intergovernmental forum where resources were divided up according to pre-set national quotas, the Regional Policy

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[1] Outline for Regional Development Programmes, Official Journal of the European Communities no. L69 of 24 Mar. 1976

Committee, on the other hand, was viewed by the Commission as being: 'a constructive forum for *concertation,* and for moving towards a convergence of national approaches - crabwise, rather than by overarching plans' (Wallace 1977: 158).

Regional Development Programmes

The Regional Policy Committee aimed to provide a strategic perspective by co-ordinating national regional policies, and making other Community instruments more sensitive to regional problems. Grants by the ERDF were to assist investment in industrial and other service activities, but all projects for which finance was sought had to be submitted to the Fund by the national government concerned and such projects were required to be located in areas in receipt of national economic aid. Community regional policy funding was intended to be additional to, not a substitute for, national regional policy funding (Harrington 1992). The decision that assistance from the ERDF could only be granted to projects falling within the context of the RDPs submitted by member states to the Commission was viewed as significant by some commentators (Mawson *et al.* 1985) in that it represented a Community approach to regional policy *per se.* But, for others, the new policy was little more than an attempt at harmonizing national policies where they existed and ensuring that national regional policies were not attempts at creating unfair market advantage. Its piece-meal and inadequate character was severely criticized by those who sought a more effective policy approach to the regional question (Keating and Loughlin 1997: 7).

From the outset, Community Regional Policy and the ERDF in particular were subject to criticism. The fund was held to be too small and spread over too wide an area of the Community (covering some 60% of the geographical area and 40% of the population). The system of national quotas was considered too rigid and, moreover, inadequately related to the nature and seriousness of existing disparities. The narrow 'economic' definition of infrastructure investment eligible for assistance proved too restrictive, given the varying nature of the regional problems throughout the Community. But more fundamentally, it became obvious that national governments were using the ERDF as a partial reimbursement of their expenditure on regional policy instead of engaging in additional expenditure (Mawson *et al.* 1985: 30).

The first RDPs submitted to the Commission were widely criticised for their obscurity and lack of detail. Martins and Mawson (1980) highlight the vagueness of the UK's RDP as an example, asserting that it had been prepared by central government, with little input from regional or local actors. They complained of a lack of involvement in the operation of Community regional policy. This version of events is confirmed by a member of the British Cabinet at the time, who could not remember having any sort of consultation exercise with local actors. All decisions were made "in house". By this he meant made by the UK government.[2] The input of regions into the programmes was not happening in a way that matched up to the Commission's expectations and, within the space of two years, the Commission was arguing that: 'it is indispensable to give the Community the tools for its own regional policy' (Commission of the European Communities 1977).

First academic reactions to the operation of the ERDF reflected the scepticism exhibited by, for example, the House of Lords Select Committee on the European Communities, and the Court of Auditors in the UK, with regard to the Fund's capacity to perform an active regional development function (see Wallace 1977; Armstrong 1978). Wallace identifies the two main elements in the Commission's early strategy to influence regional development spending. In the first instance, it sought to express its preferences on the nature and location of projects, *concentrating* expenditure in the most disadvantaged regions. Secondly, the Commission hoped to encourage member states to provide resources *additional* to those which they would have otherwise provided in development regions. The original ERDF Regulation stated: 'The Fund's assistance should not lead member states to reduce their own regional development efforts but should complement these efforts' (Commission of the European Communities 1975: 2).

The principle of additionality was central to the development of a genuinely supranational regional policy. This was the Commission's objective, and some governments clearly committed themselves to the principle, most notably the Italians and the Irish. The French remained ambivalent, accepting the principle in advance for the first year, but committing themselves no further. Germany, on the other hand, chose not to follow it in 1975, but undertook to the Commission that, in future, its allocations from the RDF would be treated as clearly additional. The British government, for its part, was divided in its attitude to

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[2] Interview with Scottish Office Minister (in post in 1976-79) conducted on 18 March 1998.

additionality, and reluctant to commit to extra public expenditure.[3] In principle, therefore, national governments paid lip service to additionality, but in practice the perception was that national governments had their own views as to how Community funding ought to be applied, and arguably sought to frustrate the Commission's objective. Moreover, the decision to abandon the principle of concentration in favour of national quotas carried wide implications: 'as once a "carve-up" had been built into the R[egional] D[evelopment] F[und], the potential for the Commission to play an active role became open to question' (Wallace 1977: 154). The establishment of the European Regional Development Fund and the provision of Community financial aid in 1975 did, however, increase the significance of Community activities for sub-national actors in regional and local authorities throughout the European Community (see Hull and Rhodes 1977).

4. 2 The 1979 Fund Amendments

In an attempt to raise the profile of Community regional policy at the end of the 1970s, the Commission proposed taking a systematic approach to the analysis of regional problems and the development of regional policy. The amendments of 1979[4] implied that the system of preparing RDPs would increasingly play an important role in the operation of Community regional policy, since it was felt that such a role would enable Community institutions to determine the priorities for assistance from the ERDF with more precision. The advanced role acquired by the European Commission, in the administration of the ERDF over a larger portion of Fund allocations, elevated the importance of the regional development programmes which members had to have on file in Brussels in order to submit eligible applications to the Fund. Development programmes would now contain detailed profiles of problem regions, lists of project proposals from local authorities and other public bodies, and medium-term development targets (Anderson 1990: 424). The Commission also made some progress in that it got the Council to agree to the introduction of a *non-quota* section of the ERDF.

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[3] Buck (1975) makes the point that in practice it was suggested that member states would submit to the Commission only those schemes that were likely to receive approval for fund assistance, and in that case the projects aided were not likely to be the *'marginal'* investments which would not be viable in the absence of subsidy, and which ought to be the explicit target of regional policy. He goes on to say that EEC regional aid for projects which would have been carried out in any event might free domestic resources for other 'marginal' projects, but warns of the danger that Community aid being regarded as a substitute for and not a complement to state aids (Buck 1975: 377)

[4] Council Resolution of 6 February 1978 on Guidelines for Community Regional Policy, Official Journal of the European Communities, no. C36 of 9 February 1976, and Council Regulations 214/79 of 6 February 1979, Official Journal of the European Communities no. L35 of 9 February 1979, respectively.

The non-quota section

This section could be applied outside the nationally-designated areas of assistance and was fixed at 5% of the total ERDF resources.[5] The broad objective of this separate section was to permit more direct Commission involvement in the formulation of regional policy initiatives. The creation of this new section, involving aid being made available through the implementation of Community-defined special programmes, encouraged some to claim that the ERDF was no longer merely a mechanism of support for national regional programmes, but had taken on a specific Community dimension (Mawson *et al.* 1985: 31). This 're-framing', re-designing of proposals in respect of policy measures, reflected the Commission's attempt to take the initiative in regional matters via the non-quota section. The Community would be expressing its own responsibility for correcting regional imbalances, primarily by means of regional policy measures intended to supplement or strengthen the application of other Community policies, or to correct any adverse regional effects they may have. The geographical scope of these actions depended on the location of the industries at which Community policies were directed and the relative intensity of regional problems. Consequently there were no grounds for an *a priori* distribution between member states of ERDF resources available for this purpose (Council of the European Communities 1979a).

The non-quota section agreed by the Council of Ministers in February 1979 has been described as the first 'germ of an independent policy' for the European Commission in the area of regional development (House of Lords 1982: xxv). The broad objective was to permit more direct Commission involvement in the formulation of regional policy initiatives: it allowed the Commission some flexibility in operations, and there was no pre-determined division of resources or of problem areas among member states. It allowed the Commission to formulate limited responses to specific problems of regional decline, usually problems of regionally focused sectoral decline (McAleavey 1995). The significance of the supposed advances implicit in the introduction of the non-quota section should not be exaggerated. Meny (1982) argues that, in the first place, it constituted only 5% of the ERDF and, secondly, that if it remained at the 5% level, rather than constituting a truly Community regional policy, it would represent simply a 'fire brigade' operation, and a selective one at that, called in to deal with the consequences of regionally-based

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[5] This amounted to approximately £45m annually. The Commission had originally proposed a non-quota section of 13% of the Fund, but this had proved unacceptable to the member states.

sectoral decline (Meny 1982: 385). In addition, the programmes of expenditure suggested by the European Commission under the non-quota section had to be approved by the Council of Ministers on the basis of unanimity. Prior consultations on RDPs could take place with the Regional Policy Committee of the European Parliament, and the Economic and Social Committee (comprising employers, trades' unions and consumer groups as well as other interest groups concerned with commerce and industry in the private and public sectors). It was through these channels that lobbying bodies such as the International Union of Local Authorities and the Council of European Municipalities sought to present the case for sub-national actors (Mawson and Gibney 1985: 134). The Commission also engaged in a dialogue on the programmes with national governments' representatives in Brussels (with individual organisations such as UKRep in the case of the UK, and with the collective body of representatives known as COREPER).

How the funds were to be used was to be decided by a unanimous Council of Ministers decision. Under the non-quota section, for the first time, funding was allocated to Common Programmes/Initiatives rather than individual applications for support by individual member states (Michie and Fitzgerald 1997: 17). European Parliament calls that the Council should vote on non-quota section programmes under a system of weighted majorities were ignored on the grounds that approval of the programmes involved much political bargaining and compromise among the member states. Qualified majority voting with its attendant potential for causing internal splits within the Community might have been regarded as an unwelcome complication in what was already a tortuous and difficult process.

Insofar as the principle of *co-ordination* of economic policies was concerned, the Commission proposed the preparation of 'Periodic Reports', a comprehensive Community-wide system of statistical analysis to inform policy formulation. The Reports (informed by statistics supplied by national governments) and produced by the Commission, were intended to provide the basis for more specific programmes of support for each region. The Commission regarded this exercise as necessary because its attempts to develop a more rational, technocratic approach to policy formulation were being hampered by lack of comparable regional statistics across the member states.

The role of Regional Development Programmes (RDPs) increased under the revised Fund Regulation. But the fact that the bulk of the Fund continued to operate in the quota section meant that its primary function remained that of supporting national regional policy initiatives. RDPs could be utilised by the Commission and the Regional Policy Committee to improve the co-ordination of national policies, with the Commission being expected to examine the programmes in view of Community objectives, and thereby determining the priorities for assistance from the Fund. Clearly, the Committee (and the Commission) saw the RDPs as playing a major role in the development of a Community regional policy by making a significant contribution to its coherence, continuity and efficiency. But the extent to which the RDPs could successfully fill these various roles was dependent on a number of political and institutional developments, and still hampered by the ERDF's key characteristic of 'something for everyone'.

In the first place success required both a commitment and capacity on the part of member states to prepare the RDPs in a form corresponding to that of the outline. Secondly, and closely related to the previous point, there would need to be an acceptance on the part of member states that supranational decision-making bodies would have a greater say in the formulation and implementation of regional policies (Martins and Mawson 1982: 234). The conclusion arrived at by these writers was that at the time national interests had continually taken precedence over the objective of promoting harmonious development throughout the Community. Expectations raised by the requirement that member states were to prepare RDPs, which would be useful as a basis for the co-ordination of national regional policies and as an instrument to improve the efficiency of ERDF allocations, were not fulfilled.

Weaknesses

Weaknesses in the programmes arose, to some extent, from the positions adopted by individual member states when drafting them. National governments were much more pre-occupied with the binding features of the ERDF regulation than with the outline statement that the policy and proposals of the RDP should be set within the wider economic and social context of the country as a whole. For example, the Italian document focused on the Mezzogiorno, and made almost no reference to the north of Italy. The French programme

completely disregarded the Paris region as an element of the French regional problem. Perhaps most striking of all was the UK programme, which failed to take into account the economic problems of the West Midlands region.[6] In each case, a domestic 'regional problem' was only a regional problem when it was perceived as such by national government. Each member state as illustrated above had its own priorities, which were difficult to assimilate with the binding features of the Regulation. There was therefore little incentive at the time, given current economic problems, for member states to commit significant resources to the preparation of RDPs. Lack of systematically prepared, comprehensive information from the member states meant that, at best, the Commission's progress might be described at this stage as taking two steps forwards and one step back.

Further contemporary comment on the amendments to the ERDF Regulation reflects the view that these were marginal adjustments rather than a major step forward: 'To date there has been a tendency for member states to attach relatively little importance to the documents [RDPS] except in as far as their preparation is legally required by the Community to secure ERDF assistance' (Mawson *et al.* 1985: 32). The 1979 guidelines did not grant the Commission the supranational programme of action it sought. Serious doubts remained over the utility of the ERDF as it then existed. The role of the RDPs was increased, but since the vast majority of the Fund continued to be distributed under the quota section it might be argued that the primary task of the Fund remained that of supporting national regional initiatives, negotiated in collusion among member states. The European Commission and the Regional Policy Committee could, however, seek to improve the co-ordination of national policies, and the RDPs were the key instrument to this end. It was envisaged that the Commission would examine the programmes in the light of Community objectives, and thereby determine the priorities for assistance from the Fund. Member states would then up-date the programmes annually, with the intention that the Commission would use them as the principal means for evaluating applications to the Fund. McAleavey (1995) takes the view that in reality member states continued to attach little importance to the documents, and submitted programmes general enough to leave

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[6] See *Regional Development Programme United Kingdom, pp.34-35*; Department of Industry, 'Government Announces More Selective Regional Policy, *Trade and Industry*, July 1979, pp. 99-102. The point made here is that despite representations from the West Midlands Economic Planning Council and the West Midlands Planning Authorities, emphasising the need for an updated West Midlands Regional Strategy in the same year as the RDP was being prepared, their recommendations were received less than enthusiastically by the UK government. The situation in the West Midlands was not interpreted as being a regional problem.

themselves wide room for manoeuvre. It represented 'tinkering around the edges' of a marginal policy.

4. 3 Commission Proposals for ERDF Reform (1981-83)

The first round

Efforts to address the fundamental problems of the ERDF in 1979 appeared largely to have failed, leaving behind only unfulfilled expectations (McAleavey 1995). But the revision was only a first step: under the provisions of the Fund Regulation another review of the operation of the ERDF was required in 1981. In the early 1980s, there were Commission proposals to push for a more fundamental change. The first round of proposals called for an overhaul of the system for distributing ERDF aid (Commission of the European Communities 1981a).

Two proposed developments concerned the geographical distribution of the aid. The first sought a greater concentration of the support measures (quota section) on the north-western and southern peripheries. The second related to the non-quota section of the ERDF: that specific Community regional development measures should be increased from 5% to 20%. The debate surrounding these proposals is highly instructive in that it exposed some of the key issues and problems surrounding the operation and future development of the policy. The procedures which were followed, to introduce or revise Community law, involved the Commission's drafting proposals. These were in turn examined by the European Parliament and negotiated with officials and ministerial representatives before being accepted or rejected by the Council of Ministers.

From the perspective of the Commission, the main objective was to alter the ERDF in such a way that the Commission's regional responsibilities would evolve from those of a financing body to those more clearly identified with a European-wide development agency. In other words, the object was to break away from tight national control of the policy towards a genuine, supranational, European programme of action. It was also recognised that more needed to be done to improve the effectiveness and efficiency of the policy, which the Commission felt could be accomplished, in part, by a more centrally-directed approach (presumably directed by that institution itself). With regard to the actual operation of the ERDF, the proposals maintained the distinction between a quota and a

quota-free section, but at the same time contained substantive changes in both procedure and policy, which had significant political implications.

The European Commission's guidelines (1981a) and draft regulation (1981b), essentially presented four specific key proposals. These proposals were far broader in their scope than anything considered in the previous review and, not surprisingly, their political nature proved highly controversial (see **Box 4.2**)

Box 4.2
Commission's key proposals

(1) The Fund should be *concentrated* geographically to a far greater extent on those regions suffering from serious structural problems, thereby excluding Belgium, Denmark, the Federal Republic of Germany, mainland France, Luxembourg and the Netherlands from support under the quota section of the ERDF (draft Articles 4 and 6).

(2) The *non-quota* section of the Fund devoted to programmes of specific Community interest should increase from 5% to 20% of the Fund (Draft Articles 4 and 27)

(3) *Integrated Development Operations*, combining various sources of Community finance outwith the ERDF should be introduced, following examples already initiated in Belfast and Naples, with a view to a greater element of additionality and *co-ordination* of Community funds and policies in relation to regional development (Draft Article 29)

(4) There should be a substantial shift over the three-year period, away from financing of individual projects to development *programmes*, i.e. 'programme contracts' in selected regions over a three-year period (Draft Articles 7 to 11).

Source: Commission of the European Communities (1981b)

In terms of co-ordination the Commission proposed including in the ERDF Regulation the

substance of the guidelines issued by the Council of Ministers in 1979, thus signalling its intention to reinforce the existing mechanisms for co-ordination. These were the periodic reports on the social conditions in the regions of the Community; the system of RDPs; and the regional impact assessment studies of the main Community policies.[7] Insofar as the RDPs were concerned, the Commission sought to strengthen member-state commitment to the document by (a) involving local authorities in their preparation and (b) firming up the annual report on the implementation of the RDP of the previous year. Member states would therefore be obliged, for example, to provide quantified information on the results of the regional development measures carried out in terms of investment and jobs.

In the matter of the actual operation of the ERDF, the proposals maintained the distinction between a quota and a quota-free section, but at the same time contained procedural and substantive policy changes, which had important political ramifications. Significantly, the Commission proposed to concentrate aid from the quota section in regions suffering from serious structural under-development. Aid would be restricted to those regions which in per capita GDP at current prices and long-term unemployment rate were less than 75 on an index where the Community average was 100. The restriction of quota-section funding to those areas would have involved (in the case of the UK, for example) changes in the existing national quotas. In addition, and perhaps even more significantly, it meant taking the allocation of Community aid away from the political negotiating process, in which member states previously fixed quotas, and placing it in the hands of a supranational bureaucracy operating a supposedly rational, technocratic allocation mechanism.

The proposals represented an attempt to strengthen the principles of concentration, additionality and co-ordination. Programming would also be strengthened in two ways. Firstly, enhanced RDPs would be drawn up in close consultation with regional and local actors involved in implementing the Fund. Secondly, programmes submitted for Fund support would take the form of a *programme contract*, prepared jointly by national governments and the local authorities concerned. For the first time, sub-national authorities would, under these proposals, have an explicit role in the preparation of the programmes. The principle of programming would be strengthened, with a real process of 'partnership' between all the actors involved. These principles were seen, by the Commission, as

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[7] The opinion and recommendations here represent formal statements made by the Commission to member states, which were also published separately and may be found in Official Journal of the European Communities, no.L143/7 and no. L143/9, 12 June 1979.

necessary to move the role of the ERDF away from that of compensatory mechanism and towards the role of genuine development. Once again, the Commission was proposing policy measures resonant of its vision of the way in which the Community ought to be proceeding, that is to say increasing the involvement of sub-national actors in policy delivery, whilst at the same time attempting to frame policy in such a way as to make it acceptable to member states.

The response of national governments

As anticipated, the proposals gave rise to a protracted debate among member-state governments. The Council of Ministers refused to accept them for more than two years and the points of disagreement 'closely mirrored the discussions of EC regional policy throughout the 1970s' (Wallace 1983: 96). A European Council meeting in Stuttgart in June 1983 called for the European Commission to review the effectiveness of the Community's Structural Funds. It resulted in the withdrawal by the Commission of its October 1981 proposals for review of the ERDF, and the publication of new proposals in November 1983 (Commission of the European Communities 1983). The suggestion, namely that the November 1983 proposals represented a climb-down by the Commission from the principles underlying the 1981 package, is rejected by some writers. Mawson *et al.* (1985:47) are of the opinion that the second package of review proposals: 'can be seen as skilful re-drafting of the Commission's objectives'. For them, it represents an exercise in reframing (the same principles being differently presented) and a continuation of the first round of proposals in several key ways. Specifically, the proposal to retain and provide a legal basis for Integrated Development Operations remained and the new emphasis on mobilising indigenous economic potential was re-affirmed, though all reference to 'programming contracts' was dropped. National governments were not yet ready for 'partnership' in programming.

On concentration, the Commission might be said to have backed down, since it was proposed that all member states would, after all, receive a share of the Fund. However, the distinction between the quota section and the non-quota section would be abandoned and replaced by flexible quota ranges ('quantitative guidelines'). In future, each member state would receive a flexible ERDF quota allocation, indicating the upper and lower limits to the amount allocated. Maximum allocation to member states would be dependent upon the

extent to which they submitted programmes and projects in conformity with the Community's regional development objectives, but average ERDF allocations would remain approximately the same as the original fixed quotas. Box 4.3 contains, in order of the highest allocation to the lowest, the lower limits and upper limits (in terms of percentage share of the ERDF) proposed by the European Commission in 1983 (see **Box 4.3)** over

	Box 4.3
Allocations	**in terms of percentage share of the ERDF**
Italy	30.17 - 42.59
UK	20.23 - 28.56
Greece	11.05 - 15.60
France	10.44 -14.74
Ireland	5.05 - 7.13
Germany	3.55 - 4.81
Netherlands	0.95 - 1.34
Belgium	0.85 - 1.20
Denmark	0.81 -1.14
Luxembourg	0.6 - 0.08
Source: Wallace (1977: 157)	

It should be noted that the sum of the lower limits amounted to over 80% of the total ERDF resources, thereby constraining the margin of flexibility for the European Commission. The debate surrounding the two sets of proposals submitted by the European Commission reveals the underlying fault structure of the regional policy edifice so laboriously constructed over the preceding years. The Commission had sought to increase

its discretion over the deployment of resources by promoting the key principles of concentration, programming, partnership and additionality highlighted earlier in this chapter. But this proposed re-direction of the ERDF to regional development purposes would have threatened member states' ability to control the operation of the ERDF process simply as a mechanism for redistribution. There is clear evidence that the Commission itself was anxious to move the Fund away from this compensatory function. The point is documented in the guidelines it submitted in 1981, when it stated that: 'the Commission considers that the moment has come for the Fund to pass from work of a mainly book-keeping nature to that of conceiving, promoting and programming, that is to say a more active role' (Commission of the European Communities 1981b: 5).

Contemporary accounts reflect the tension between the passive and active roles for the European Commission in the ERDF process (see, for example, Mawson *et al.* 1985). From the perspective of the Commission, the main objective was to alter the ERDF in such a way that the Commission's regional responsibilities would evolve from those of a financing body to those more clearly identified with a European-wide regional development agency. In other words, underlying both sets of proposals presented by the European Commission in these years was the desire to carve out a more active role for itself in the development not just of a regional fund, but a genuine regional policy, which would engage a much wider range of actors. An early attempt to illustrate the existence of this tension between the European Commission and member state governments is placed in the context of wider theories of EC policy-making by Wallace (1983). She described the ERDF as: 'a set of detailed rules and modalities which fell far short of common policy and consisted rather of a modest increment to national regional policies with the locus of operation remaining fairly firmly in the control of national governments' (Wallace 1983: 96)

4. 4 The final package and the second enlargement

The compromise which emerged in the 1984 guidelines was a prolongation of the quota system, but within flexible minimum and maximum limits. The new Fund Regulation was agreed at the Foreign Affairs Council on 18-19 June 1984, and came into effect on 1 January 1985. The fact that this decision was made without the convening of a specific Council meeting for those ministers responsible for *regional policy* itself was, for some commentators at the time, an indication that the development function of the ERDF was of

secondary importance (Vanhove and Klaassen 1987: 450). Not all of the Fund's characteristics were new. There was a continuing emphasis on co-ordination, and the main tasks were still the development and structural adaptation of under-developed regions. But the regions affected by the impact of certain Community policies were also to receive priority treatment, and there was still a concentration in favour of countries with peripheral and declining regions.

The programme approach

One major new characteristic of the Fund, however, was the programme approach. It differed in essence from the specific measures of the old non-quota system, which were intended to compensate for the *negative* effects of other Community policies. Under the programme approach, Community programmes would give more importance to the exploitation in the less-favoured regions of the *positive* effects resulting from the implementation of policies such as energy policies and tele-communications. The Regulation referred to two types of programme: (1) Community Programmmes (CPs) and (2) National Programmes of Community Interest (NPCIs). The introduction of the NPCIs was of particular importance in that it formalised a role and identified a specific input for sub-national authorities in Community regional policy-making. NPCIs could be considered as a contract for several regions, between the Community and one or more member states or regional authorities. They represented a potential for formal linkage between the Commission, member states and sub-national actors.

Three advantages of this approach are underlined by Pinder (1983). He argued that by establishing national commitments, these programmes would make it harder for governments to use ERDF finance to subsidise their own efforts rather than augment them. Also, by stressing the need to co-ordinate regional investment, the programme system would aim to tailor national policies to conform more closely to Community priorities. Pinder took the view that if, as was intended, the new ERDF Regulation gave legal force to the principle of co-ordination, there was little doubt that the Commission's influence over policy formulation would increase significantly.

Troubleshooting on practical problems

Not all regions would be able to respond to the programme approach. Therefore the Commission was willing to provide technical assistance to those who needed it. The use of

all growth potential of a region was emphasised. The Fund could finance operations designed to promote the putative local development of regions. For greater exploitation of the envisaged internally generated development of regions (as it was called), the ERDF could contribute to the financing of a consistent set of measures for assisting undertakings. These would be primarily small and medium-sized companies in industry, craft industries and tourism, assisted in order to (a) provide these undertakings with facilities to enable them to export activities and to obtain access to new technology and (b) facilitate their access to the capital market.

The Commission was aware of the fact that all this required a more sophisticated approach than the provision of industrial grants. Therefore, 'soft' incentives were made available to small and medium-sized undertakings such as information dispersal, research facilities, technological assistance, market studies and programmes to improve management. They were of a kind already provided for by some of the Regulations introducing specific Community measures. This approach is sometimes referred to as the "endogenous growth" approach.[8] This is based on the assumption of a sharp contrast between the increasing mobility of goods and the stability of regional environments, characterised by such factors as the skills of the labour force, technical and organisational know-how, and social and institutional structures.

From this perspective, product innovation - to make new products, to differentiate or improve them - is seen as more important than the reduction of production costs. By the same token, entrepreneurs prefer "soft" investments in "human capital" to investments in machinery for further automation of production processes. In short, from its emphasis on the qualitative evolution of local resources and smoothly operating local institutions, the "endogenous growth" approach does appear to rely on active intervention. It is, however, distinctive in that it attributes more importance to local authorities than to national regional policies. Its adherents have advocated more generous administrative autonomy for regional communities, regional and sub-regional development programmes for all regions - not only those favoured by national governments and the European Community - and the participation of all relevant economic subjects of individual regions (Cappellin and Molle 1988: 7).

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[8] For a comprehensive explanation of the "endogenous growth" approach see Cappellin and Molle (1988).

The approach envisaged a more pro-active and participative role for sub-national actors and the Commission, in a document headed *The Regions are in Business*, invited regional authorities specifically to get involved in the preparation of programmes. This development was in sharp contrast to past procedures, when the only relationship which existed in the Community regional policy process was that between the European Commission and the member states. From 1985 on, a dialogue between the Commission and regional/local actors would, in theory at least, be possible.

ERDF policy instruments

The effort to integrate Community instruments was fundamental, therefore the Fund had to be one of the instruments utilised in Integrated Development Operations (IDOs).[9] Finally, the new Regulation provided for advance payments under Article 30, which could further the implementation of projects in the assisted regions by granting relatively important advances which would facilitate the successful conduct of operations assisted by the Fund. Armstrong (1985: 336-337) suggests that the 1984 Regulations represented a major revision of EC regional policy. This view is based on the progress made on the key principles of co-ordination, concentration and programming, as well as with respect to the balance between infrastructure and industrial projects, and the emphasis given to indigenous development strategies. Although by the mid 1980s the ERDF was distributing funds each year which amounted to seven times that distributed in the first three years of its existence, it was still widely held, as it had been since the creation of the Fund, that the modest sums devoted to the ERDF were unlikely to have any significant impact on regional performance levels unless the resources were concentrated in the most disadvantaged regions. The replacement of the system of fixed quotas with one of 'indicative ranges' represented only a minor advance on previous practices.[10]

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[9] An Integrated Development Operation is described as followed: '[it] shall comprise a coherent set of public and private measures and investments which have the following characteristics: (a) they relate to a limited geographical area affected by particularly serious problems and...(b) the Community, through the joint of various structural financial instruments, and the national and local authorities in the Member States, contribute in a closely co-ordinated manner to their implementation' (Council of the European Communities: 1984).

[10] The indicative quota ranges set by the 1984 ERDF Regulation varied slightly from the 1983 Commission proposals. Agreed under the French Presidency of the Council in May 1984, the lower and upper limits (in terms of percentage share of the ERDF) vary only slightly from those contained in Table 4.2. The lower limits for eight of the then ten member states were raised (the exceptions being Denmark and Luxembourg), and only the upper limits for Ireland and Denmark were reduced with respect to the Commission's November 1983 proposals.

The principle of programming, however, despite having been diluted in comparison with the November 1983 proposals, was seen by some as an indication of the Commission's desire to move in the direction of programme financing. Such aims reflected its view that: 'programmes are a better means of co-ordinating the use of its limited resources in a more rational and cost-effective way' (Redmond and Barrett 1988: 20). Project financing was retained as the normal mode for deploying resources, but programme financing was promoted in three forms under the 1984 ERDF Regulation, i.e. Community Programmes (CPs); National Programmes of Community Interest (NPCIs) and Integrated Development Operations (IDOs).

Community Programmes (CPs) were defined under Article 7 of the new Regulation as: 'a series of consistent multi-annual measures directly serving Community objectives and the implementation of Community policies' (Commission of the European Communities 1985). These would be initiated by the European Commission, would normally concern regions in more than one member state, and did not need to be limited to regions eligible under domestic regional policies of the member states. The 'Community' character of such programmes was reinforced by one major change with regard to the non-quota actions. The framework of these programmes no longer needed to be adopted in the Council of Ministers by a unanimous vote. A qualified majority would suffice (see De Witte 1986). CPs, therefore, made it easier for the Commission to have a continuing involvement in the preparation of programmes aimed at addressing regionally focused, sectoral problems.

National Programmes of Community Interest, introduced under the 1984 Regulation, were to be prepared by national governments in collaboration with regional actors. As a result, they would be determined by national priorities and, unlike CPs, would be restricted to the areas eligible under domestic regional policy. But they would have to reflect measures of 'significant Community interest', a relatively ill-defined concept (see Mawson et al. 1985: 44). As with the project-financing system, the initiative rested with the member state, which was expected to formulate a coherent investment programme. Integrated Development Operations, provided a basis by Article 34 of the new Regulation, differed from CPs in that they involved a joint use of the Community's structural funds: the European Social Fund (ESF), administered by the Directorate General V (Employment, Industrial Relations and Social Affairs) and the Guidance Section of the Agricultural Fund, administered by Directorate General VI (Agriculture), as well as the ERDF.

Redmond and Barrett (1988) make the point that these Directorates-General might have resented the degree of control ceded to the regional policy directorate at the time (DG XVI). But by the enforced grouping of all interventions in a "Community Programme" under the Regional Fund, the integrated approach increasingly became the European Commission's favoured technique of intervention in regional economic development: 'to the extent that Article 130D of the Single European Act ultimately required amendments to the Structural Funds (ERDF, ESF and EAGGF) in order to "co-ordinate their activities between themselves and with the operations of the existing financial instruments" (Redmond and Barrett 1988: 27).

These three forms of programming should not be confused with the Regional Development Programmes (RDPs). Despite the fact that both were submitted by member states, National Programmes of Community Interest (NPCIs) and RDPs were designed to serve different purposes. The RDPs, according to Article 2 of the 1984 Regulation still had to be drawn up by each member state as an overall outline of its regional policy, and then to be submitted to the European Commission and the Regional Policy Committee for the purposes of policy co-ordination. The three programmes outlined above, on the other hand, were intended as coherent sets of regional development actions, aimed at addressing the principal economic problems of given areas.

Sub-national authorities/actors

While national governments, and to a lesser extent the Commission, continued to expand their role in Community regional policy, other would-be participants in the ERDF policy process did not fare so well. Local and regional authorities had long supported the efforts of the European Commission to strengthen their involvement, and expressed their enthusiasm to participate in the formulation and administration of regional policy. Mawson *et al.* (1985) explain the underlying reasons for this 'enthusiasm' of local actors. They draw attention to the considerable expertise in various aspects of infrastructure and local economic planning within local authority, and suggest how it might be employed.[11] In other words, increased local involvement in Community regional policy had the potential

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[11] 'Given this experience, a more direct relationship with Brussels through the programme approach and measures such as those designed to foster indigenous development potential would provide the opportunity to develop policies more specifically tailored to the needs of individual areas than rather than being dependent on "broad brush" national regional policies as at present' (Mawson *et al.* 1985: 137).

to enable sub-national authorities to make a more informed contribution to their own domestic regional policy.

Evidence presented to the Select Committee on the European Communities of the House of Lords indicates that individual authorities and their representative organisations in the UK, for example, strongly supported the Commission's efforts to introduce the programme approach (House of Lords 1981: 59-60). Findings from key players (belonging to a cross-section of political parties) in regional and local authorities in Scotland who were active in the field of UK regional policy in the late 1970s and early 1980s have shown that they shared this view.[12] For the most part, these actors acknowledged that despite their desire to be involved, and the European Commission's support for this development, the 1984 Regulation provided little scope for advance on previous practice. Contemporary accounts of the 1984 Regulation and its subsequent operation maintain the largely pessimistic tone apparent in many early academic accounts. The consensus view was that: 'Little has yet happened to disprove that the Fund is essentially "cosmetic" and conceals the lack of a genuine desire among member states to adopt interventionist policies at a Community level capable of reducing spatial inequalities in wealth' (Wise and Croxford 1988: 187). But the period was equally marked by a: 'struggle to throw off the many restrictions imposed by the Council of Ministers in the original 1975 regulation' (Armstrong 1989: 172).

With the creation of the European Regional Development Fund, the European Commission finally acquired the financial means to intervene directly in the development of certain regions. The working of the Fund needed to be adapted to the exigencies of new situations as its scope increased, and the 1984 Regulation represented the culmination of a decade of gradually acquiring the necessary policy instruments by formulating and re-formulating proposals, designing and re-designing regulations, (framing and re-framing policy) on the part of the Commission, in order to meet the exigencies of changing economic and political circumstances. The regional policy process continued to be regarded as a 'virtual paragon of intergovernmentalism' (McAleavey 1992: 3), but rather less attention was paid to the innovative content of many of these proposals, for example the format of integrated operations, incorporating various structural funds, and the increasing emphasis on

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[12] Interviews with former leader of the Labour Group, Strathclyde Regional Council, 5 Feb. 1998; with former leader of the Liberal Group, Highlands and Islands Region, 18 Mar. 1998; with former Chief Executive, Lothian Regional Council, 12 February 1998 and with senior COSLA official, 5 December 2000.

encouraging indigenous growth and development. However, Mawson *et al.* (1985) do pick up on another important and related point:

> in advocating the support of measures to encourage indigenous development potential, the Commission regarded itself as being in the forefront of new approaches to regional development, at a time when traditional infrastructure measures such as road-building and advance factory construction were becoming less effective, with little mobile industry available to attract to declining areas'.
>
> (Mawson *et al.* 1985: 40-41)

Imaginative juxtaposition of measures on the part of the Commission, and changing emphases in regional development literature, would increasingly become part of the characteristics in the regional policy field as the member states and the Commission considered the financial implications of a further enlargement. While detailed consideration of policy content is essential to any understanding of the evolution and development of a Community regional policy, the policy as the product of decisions of governments and as a programme, was evolving in the wider context of the development of the Community itself. It is to this aspect that this chapter will now turn.

The politics of enlargement

Politically, the extent of the Community's failure to redress regional imbalances had become more apparent after the Greek accession in 1981, and in the run-up to the Iberian accession. Concern that the Community's existing disadvantaged regions in southern Italy and Greece would suffer as a result of Community enlargement precipitated a row early in 1985 over Integrated Mediterranean Programmes (IMPs). In December 1984, at a European Council Meeting in Dublin, Greece had threatened a veto of the Community Iberian enlargement unless it received some financial compensation for the perceived economic threat that the accession of these southern European countries would bring. Fearing Mediterranean competition to its agriculture, it demanded its own compensatory instrument.

Although the decision on the budget envelope was made at the highest level, in the European Council, with the Commission purely as observer, it was the Commission (by virtue of its monopoly on initiative) which drew up the regulatory blueprint of the policies for spending the money. Hooghe (1996) offers a brief account of what followed. She

argues that once this 'side-payment' was accepted by the member states, the Commission uncovered an old plan for a separate Mediterranean Fund, and transferred it into the Integrated Mediterranean Programmes (IMPs). Under the IMP Regulations approved in 1985, the money came from the three structural funds (ESF, ERDF and EAGGF - guidance) and the European Investment Bank. The IMPs applied the integrated approach and some form of partnership: multi-annual programmes instead of individual projects, close co-ordination between the three funds, and local involvement. The IMPs were drafted in a small, low-key unit for the co-ordination of structural policies attached to the Commission presidency: there was no evidence of member-state influence, nor formal consultation with other services.[13] The major deviation from practice represented by the IMPs was that they advocated continuing involvement of the Commission in all aspects of programming, and aimed to mobilize 'non-central actors'. If transnational groups were to support collective European policies in countries with new policy demands, sustained cooperation was required from public and private organisations across the Community. New President Jacques Delors, appointed in January 1985, saw the co-option method of policy-making centred on policy as a programme as the way ahead for the regional policy sector. This was part of the Commission's strategy to secure a key role for itself in the development of Community regional policy and to pursue its aim of 'mobilising non-central actors'.

Conclusion

The initial political compromise of 1975, which had created the ERDF, conditioned its evolution, limiting the extent to which the European Commission was able to fine-tune the Fund to promote regional economic development objectives. But: 'programmes adopted as a simple compromise [often] become endowed with separate meaning and force by having an agency established to deal with them' (March and Olsen 1989: 18). However unlikely this outcome may have seemed in 1975, there is a certain prescient ring to this statement when viewed in the longer term over the decade that followed. But at the time there was widespread agreement that the policy which emerged in 1975 was one firmly controlled by member governments and *not* by Community institutions (for more detailed accounts of negotiations, see Wallace 1977; George 1985; Vanhove and Klaasen 1987). While the Commission had kept the regional policy issue on the Community agenda over the

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[13] For a full account of this process, see Hooghe (1996: 97-98)

previous decade, and played an important part in providing support and information to the so-called *demandeur* governments as the Regional Fund was being created, its role in policy management was limited from the outset. Intergovernmental meetings were the arenas in which national quotas were thrashed out, and the Commission's function was restricted to approving projects submitted by national governments - significantly not sub-national sponsors - who, in the case of the UK, were usually local authorities (Bache 1999:30).

The Commission, while recognising the primacy of member states, believed that by fostering links with regional and local authorities, it was in a better position to understand the nature of regional problems. However, member states, including the UK government, proved disinclined to allow this trend to develop very far (Mawson and Gibney 1985). Reluctant member governments took account of the need for the development and structural adjustment of lagging regions, and the conversion of declining industrial regions. But they also, arguably, took care to ensure that the policy delivery mechanisms were designed in such a way as to prevent the new Regional Fund being used as an instrument to undermine their power, either from above, in the shape of the Commission, or from below, by way of regional or local authorities. Wallace (1983) makes the point that, even up to 1983, by no stretch of the theorist's imagination could the story of the ERDF vindicate the approach of the functionalists or neofunctionalists. National civil servants and ministers had remained central to the whole process. Other than the occasional input demanded of them in the preparation of RDPs and the Periodic Reports in bodies such as ECOSOC, there had been practically no scope for the involvement of non-governmental bodies, whether regional lobbies or other pressure groups, although they tried hard to exert their influence (Wallace 1983: 97). In terms of policy decision-making, the academic consensus was that between the mid-1970s and mid-1980s that process was conducted by the Gaullist method of negotiation, and the direct influence of sub-national authorities and other interests on Community-level decision-making was negligible.

On the other hand, the Commission's influence could be described as significant in some areas, though severely constrained in others (see Pinder 1983; Mawson *et al.* 1985). Where it did make early progress towards a supranational policy, it did so through its agenda-setting powers and skill in designing regulations. Thus it has been argued that while the

Council of Ministers rejected and diluted many of the Commission's proposals for regional policy from the mid-1960s to the mid-1980s, the policy that evolved bore marks of the Commission's agenda in respect of regional development. Hooghe (1996: 100), to some extent, supports this view. She argues that state executive preferences and intergovernmental bargaining can adequately explain the initiation and evolution of the budget envelope (that is the total amount of monies to be allocated to the ERDF), with the Commission acting as an observant agent. But in terms of policy as a particular package of legislation the European Commission emerges as a pivotal actor in designing the regulations due to its monopoly of initiative in this area.

It is suggested here that a starkly intergovernmental interpretation of the evolution and development of Community regional policy provides a misleading account of the role of the Commission throughout the evolution of the ERDF. The Commission's influence was far from negligible. Its dogged promotion of the key principles at every opportunity for reform *is* taken into account by Wallace who says of the Commission: 'as the propagandist of a more ambitious approach it has succeeded cumulatively and incrementally in wringing from member governments more extensive commitments to some responsibility for the EC over regional policy than they would ever would have readily conceded' (Wallace 1983: 96-97).

The IMP experience of 1985 is important primarily because it runs counter to the way in which Community regional policy had previously developed. It represents a re-framing of policy by the Commission, reflected first in the 1984 Regulations. The IMPs drew on Commission experience of Integrated Development Operations and its increasing interest in the endogenous growth approach to regional economic developments with its emphasis on co-operation at local level (the method of co-option). Greece's threat to veto the accession of Spain and Portugal led to a reframing of policy at *this* stage in 1985. It was a major deviation, and Hooghe (1996: 99) suggests that the regulations were drafted quickly inside the Commission, and were not sounded out in advance with member actors. The member states may have acquiesced because the IMPs programme was small and remained strictly limited to particular areas in three countries. Or they may have liked the Commission's new approach because it seemed a sensible way to run development programmes. Either interpretation suggests that the initiative and momentum came this time from the Commission.

The role of the Commission in the framing process as developed here has three dimensions. In terms of policy as the product of decisions of governments, the Commission's role was and is to be the primary source of initiation and recommendation of policy ideas, designed to resolve or at least alleviate regional inequalities. In order for a particular frame to be acceptable, the actors involved (in this case the member state governments) have to believe that the frame will attain their collective goals. The Council of Ministers rejected and diluted many of the Commission's proposed policy frames from the creation of the ERDF in the mid 1970s up to the 1984 reform of the structural funds. Individually and collectively they were not convinced that the Commission's framing of Community regional policy reflected their view of the regional problems and priorities within the Community at that time. In 1985, however, member states did agree to the Commission's regulations on the IMPs because they represented an acceptable solution to the normative aspirations and functional demands of Greece, Spain and Portugal, and thus removed their grounds for opposition to enlargement, which the other member states were keen to promote.

Insofar as policy as a programme is concerned, that is policy as a particular package of legislation, organisation and resources, designed to achieve political, economic or social goals, the Commission fared rather better. The creation and development of both a *non-*quota section of Community assistance in 1979, and the programme approach to administering funds in 1984 reflect some evidence of the Commission's agenda regarding the importance of regional development. Underlying these policy frames was a genuine desire on the part of the Commission to carve out a more active role for itself in the development not just of a regional fund, but a genuine regional policy. Such a policy, it was envisaged, would engage a much wider range of sub-national actors and other actors in ventures such as Integrated Development Operations, Community Programmes and National Programmes of Community Interest.

In terms of policy as outcome, the Commission reached its 1985 position in pursuit of its strategy to secure a key role in the development of Community regional policy. In addition, it constantly pursued its aim of framing policy in such a way as at least create a dialogue through the programmes with the 'dynamic forces' – the sub-national authorities and other actors at regional and local level – exchanging information and expertise with those actors who managed to secure involvement in the process. The decision to double the Structural

Funds was undoubtedly taken by member-state governments, but the way in which regional policy (or cohesion policy as it is subsequently described) was framed was based on the Commission's role in the framing process of regional policy as the product of decisions of government and policy as a programme underpinned by its ideas on regional development.

Chapter 5: Community regional policy: a watershed (1988-1993)

Introduction

The main aim of this chapter is to link the framing of EU regional policy by the European Commission and the activity often described as sub-national mobilization. At issue here is the suggestion that the second generation Community regional policy that emerged by way of the 1988 reform of the structural funds held, in theory at least, a political promise on the part of the Commission to involve sub-national actors more openly in European policy and decision-making. The framing process in policy-making is highlighted as the means whereby the Commission attempted to create conditions aimed at fostering sub-national mobilization.

The 1988 reform of the structural funds was regarded as something of a watershed in the European Community, raising the profile of the region and sub-national actors as never before. But the catalyst for these developments was actually the signing of the Single European Act (SEA 1986), which represented the first formal codification of the *acquis communautaire.[1]* The Act fulfilled two functions. Firstly, it confirmed economic and social cohesion as a top political principle. Secondly, it marked a change in emphasis from the 'first generation' regional policy, restricted to co-financing national policies, to a more politically conscious regional policy with a Community-wide supranational vision. The Single European Act and the bargains surrounding it, which included increased expenditure, precipitated broad changes to the structural funds.

In terms of finance, the Delors budget package adopted at the Brussels European Council of February 1988 doubled the size of the structural funds.[2] The package established the first 'financial perspective' or broad framework for multi-annual budgetary allocations. Negotiations on the structural funds reforms took place in a political atmosphere in which enlargement played an important part. In the first instance in 1985, Greece, with the support of France and Italy, had demanded and received the establishment of the Integrated

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[1] The Single European Act (1986) represented the first collection into one body of the principles, laws, rules and procedures of the existing fragmented accumulation of obligations and commitments agreed under the treaties and legislation of the EC/EU over the years.

[2] At the Brussels European Council meeting on 11-13 February 1988 it was agreed to double the structural funds budget in real terms from ECU 7 billion in 1987 to ECU 14 billion by 1993. By 1992, Community structural fund spending would account for 27 per cent of the Community budget compared with 17 per cent in 1987.

Mediterranean Programmes (IMPs) as a precondition to the Iberian expansion. Later, a similar sequence of events led to the adoption of the 1988 Regulations. This time Spain, Portugal and Greece together demanded a side-payment for the anticipated damage the internal market might inflict on their vulnerable economies.

The core instrument of the new Community regional policy (it is also variously referred to as cohesion/structural policy in the literature) was structural programming for indigenous regional and local development. The mobilisation of sub-national actors in the context of the structural funds, and more specifically the implications of the principle of partnership, engaged the attention of a variety of scholars (see for example Leonardi 1992; Marks 1992; Hooghe and Keating 1994; Hooghe 1996). Some argued that the objective of the policy was to 'empower' sub-national authorities in the European arena, including those from member states where such actors were extremely weak. Further, it was asserted that by specifying how this empowerment should be organised, the European Commission led by its President Jacques Delors hoped to achieve a uniform pattern of sub-national involvement in Community regional policy and decision-making.

In the context of the 1988 reform of the structural funds, this chapter understands sub-national mobilization as the growing engagement in policy-making activities of sub-national actors with the institutions and processes of Community policy-making. The primary aim is to establish the extent to which the 1988 reforms at last provided the Commission with the tools, at least according to the terms of the Regulations, to fashion a Community regional policy with mechanisms which mobilised regional and local actors.

It is acknowledged here that decision-making on the size and distribution of the structural funds was and is the prerogative of national governments (see Wallace 1977; Moravcsik 1991). The decision to adopt a 'new' regional policy and to double the structural funds in 1988 was no exception to that precedent. But over-emphasis on intergovernmental bargaining as a motor for Community regional policy change to some extent obscures the role of the Commission in policy as the product of decisions of governments or in policy as a programme, reflecting a Commission agenda on regional development. The extent to which it had been able to fine tune the ERDF from 1975 had limited the Commission's ability to promote its policy ideas on regional economic development objectives but:

The Commission consistently and doggedly sought to promote the four principles of concentration of resources, programming, partnership and additionality in order to move away from arguments of *juste retour* and focus cohesion policy on its stated development function

(McAleavey and De Rynck 1997: 9).[3]

Delors, like his predecessors in the Presidency, was still anxious to move away from arguments of *juste retour* and to focus Community regional policy on its stated development function. That was the Commission's agenda.

The argument is developed in this chapter by first considering how the political and economic implications of enlargement created a need for change in this policy sector. Attention is centred on Community regional policy and its principal instrument, the European Regional Development Fund, and how the policy made the transition from its 'marginal' status of the previous decade to become the 'flagship' policy of the EU for the 1990s. The chapter then moves on to ask whether from 1988 EU regional policy fulfilled the promise it arguably held, in theory at least, to involve sub-national actors more openly in European decision-making. More specifically, it tries to establish the extent to which the framing of the policy by the Commission in the context of its new policy ideas (outlined in Chapter 4.4) facilitated sub-national mobilization.

5. 1 EU regional policy in the context of enlargement

Developments in Community theorising

From the emergence of the European Regional Development Fund, through the 1979 amendments, to the 1988 Regulations, the tension between the potential functions of the ERDF as primarily a tool for regional development or a simple channel for rebates had been apparent. Prior to the Single European Act and the commitment to cohesion in the treaties governing the European Community, many scholars argued that the roles of the European Commission and of sub-national authorities were marginal to what was

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[3] McAleavey and De Rynck (1997) reinforce the point that although progress on these principles up to 1988 was sporadic, there was nevertheless an identifiable shift away from the purely compensatory function of the ERDF as more sophisticated programmes were introduced such as IDOs, CPs and NCPIs, (see Ch.4.4 for details).

essentially an intergovernmental process.[4] From this perspective, the ERDF was used to support national regional policies, and hence to address regional disparities within member states rather than to reduce Community-wide regional disparities. *De facto* control over the ERDF remained with the member states, reducing the Commission's role to the symbolic one of 'selling itself' at the local level. But even if the ERDF did not allow for an autonomous role in regional development policy for the Commission, it allowed the latter to raise its profile and that of the Community more generally at the local level in Europe through European flags and poster publicity at the site of nominally assisted projects.

Traditionally, much of the literature on Community regional policy in general, and on the European Regional Development Fund in particular, focused on horizontal negotiations between member states. These negotiations mostly centred on the overall size of the Fund's budget, and the member states' respective allocations from it. From this perspective, the role of the European Commission and sub-national authorities was generally interpreted as marginal to what was essentially an intergovernmental process. The member states retained primacy as 'gatekeepers' between the supranational Community and domestic actors. In other words, the member states controlled the policy process.

Intergovernmentalism's challengers privileged non-state actors in a variety of ways. From the beginning of European integration (as outlined in Chapter 2.1) neofunctionalists had taken the view that the collusion of sub-national interest groups and supranational institutional actors would drive European integration 'beyond the nation state' (see Haas 1958; Burley and Mattli 1993). In other words, national governments would become less relevant as European institution-building progressed. By the mid 1990s, however, those favouring a state-centric approach were facing if anything a more empirical claim: that the EU was characterized by a quasi-federal system of 'multi-level governance'.[5] Marks (1993) presents a complex picture of the emergence of a new pattern of governance. He predicts, as neofunctionalist theory would have predicted, that the 1988 reforms would

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[4] Sub-national actors enter the story as constituencies of these governments, and supranational actors (like the European Commission) are admitted to perform tasks delegated to them by governments, but major decision-making is seen as flowing solely from the interests of governments themselves, see Ansell, *et al.* (1997: 348) also Wallace (1977).

[5] For comprehensive descriptions of this model see Marks (1992) also Marks (1993); Hooghe (1995) Advocates of this concept argue that decision-making power in EU politics is shared across supranational, national and sub-national levels. They claim that an understanding of the distribution of power across these levels and across policy processes is the key to understanding the EU.

have unintended consequences. Among these would be the strengthening of the Commission and the mobilization of regional and local governments, vying for resources and competences and forming alliances both within and around member governments.

Overall, from this perspective, the argument is that the objective of the new EU regional policy was to 'empower' sub-national authorities in the European policy-making arena, including those from member states where they were extremely weak. In addition it is argued that the Commission, by specifying how this empowerment should be organised (via the administration of the new structural fund programmes) hoped to achieve a uniform pattern of sub-national involvement in Community regional policy and decision-making. The term most commonly applied to this type of involvement is sub-national mobilization. A link is posited between the role of the Commission in the formulation and design (the framing) of Community regional policy on the one hand, and sub-national mobilization on the other.

Because of its potential for circumventing national governments, Community regional policy became a critical case for scholars concerned with the political and institutional consequences of European integration. Anderson (1990) suggests that:

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

Thus, in the mid 1990s, renewed academic interest in studies of the regional dimension coincided with a wider refocusing on the concept of nation states. The widespread perception of a decline in the contemporary relevance of the concept of over-weaning nation state sovereignty coincided with a rise in sub-state nationalism.[6] These developments encouraged the use of the region as a lens through which political scientists might scrutinise the further development of EU regional policy (see Jeffery 1997). Against

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[6] For a discussion of the literature surrounding this view, see Keating (1998: pp. 22-38).

this background, Community regional policy has been studied in terms of territorial politics and as an example of multi-level governance, whereby a reconfiguration of power relations between the local, regional, national and supranational levels is occurring (McAleavey and De Rynck 1997: 7). The theoretical developments which took place between the mid 1980s and the early 1990s owed much to the substantial political and economic change which took place in the Community during that period.

Developments in EU politics

The late 1970s and early 1980s had seen the economies of the US and Japan consistently outstrip those of the Community, leading to the view that by 1982 the European Community was stagnating or 'moribund' (see Keohane and Hoffmann 1991: 1). The Community had passed through several years of profound crisis in the course of which even the achievements of the early years, let alone rhetorical visions of the future, were called into question. Member states, concerned at the poor showing of their economies, began to realise that the Community needed to achieve a genuine common market if the relative deficiencies of Community economies were to be redressed. The end of the Bretton-Woods system, coupled with the first oil crisis, exposed the limitations of Europe's collective machinery to cope with current volatility, inflation and neoprotectionism.[7] (Ludlow 1991: 111).

No common market could survive for long in a situation where the inflation rates of countries such as Italy and West Germany diverged so widely, or in which currency volatility ripped apart the system for closely aligned Community exchange rates. The institutions of the Community could do little about the decline of the brittle consensus about security policy both within and among Western nations, which resulted in the easing of East-West tension in the first period of détente. But these developments brought about a realisation within the Community's members that their limited Treaty [of Rome] agenda was diminishing in relevance to the real challenges of the day.[8] The recovery of the

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[7] The original agreement made at Bretton Woods in America in 1944 saw 44 countries agree a new monetary system, based on two fixed exchange rates and backed by two reserve currencies, the dollar and sterling. By 1970 the feasibility of the Bretton Woods system was being undermined by an ever-growing American payments deficit and the increasing US desire under President Nixon to divorce the dollar from gold. This meant that the fixed exchange rates under the old system would ultimately be replaced by a more uncertain world of floating currencies.

[8] For discussion on how the scope for a co-ordinated response on the part of member states was enhanced by changes within the member states, see Moravcsik (1991); Cameron (1992).

Community would have as much to do with the emergence of consensus on a new agenda as with the institutional reforms of the Single European Act *per se.* Many of the aspects of this agenda can be identified throughout the *Conclusions* of the European Council in the early 1980s (see Bulmer and Wessels 1987). The most significant are:

- the creation of a single market as the only adequate answer to global competition
- the development of flanking policies, including in particular research, development and competition
- the need to re-appraise the bases of the CAP and its place within the overall priorities of the Community
- the advantages of monetary co-operation through and beyond the EMS
- the need for a common foreign policy, including a security dimension
- the importance of environmental issues, see Ludlow (1991:112).

5. 2 New ideas on regional policy

The Single European Act (1986)

In 1985, under President Jacques Delors, the Commission had already been looking ahead at the sort of regional policy measures the newly enlarged Community would require. He presented a paper, together with Lord Cockfield of the UK, to the European Council in 1985, entitled *Completing the Internal Market,* in which lay the first seeds of the Single European Act (Commission of the European Communities 1985). The Commission took this pro-active approach in anticipation of the potential difficulties which enlargement might create. The Iberian accession did indeed significantly widen regional disparities. The peripheral member states (Ireland, Greece, Spain and Portugal) stipulated that their participation in the single market was conditional on an increase in the funds distributing wealth from the centre to the periphery of the Community.

Such action was essential if they were to have any chance of benefiting from the post-1992 free market:

> There were concerns about the damage the theory of competitive advantage could do if played out in a European market where, from the Rhine to Andalusia to Puglia, objective conditions vary widely. It was thought that the less advanced countries and regions would become trapped in their traditional, low-value-added specialisations, while the more advanced countries at the heart of Europe would

> gain almost exclusive benefit from the emergence of powerful intra-Community
> trade flows
>
> (Moscovici 1998: 57).

Two structural funds (the ERDF and the Social Fund) were specifically targeted by the poorer countries as being in need of substantial increase. It is some measure of the poor members' success that the communiqué issued by the London European Council in December 1986 made special mention of the importance of economic and social cohesion to boost the economic growth of the poorer parts of the Community, as a counterpart to the removal of barriers to trade. Member states were aware that there was a risk that the single market would be of most benefit to those regions best placed to attract capital and human resources (Alden 1996: 2).

The Single European Act inserted a new Title V (articles 130a-e, now 158-162) into the Treaty of Rome. For the first time, a link was established between concern 'to strengthen economic and social cohesion' and the aim of 'reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions including rural areas'. A turning point can be identified here. First, the SEA represented member states' acknowledgement of a commitment to the need for economic and political change. Second, the decision to upgrade the structural funds marked a change in emphasis from the 'first generation' regional policy, restricted to co-financing national policies to the EU's more politically conscious regional policy with a Community-wide supranational vision. This change in emphasis allowed the Commission to exercise its skill more fully in designing the appropriate measures or policy instruments, required to address serious regional issues. For example, one such issue was the fact that regions' fortunes varied over time. Armstrong and de Kervenoael (1997) demonstrate how between 1980 and 1992 some regions such as North West (UK), Asturias (Sp) and Nord- Pas-de-Calais (Fr) moved downwards in terms of GDP per capita values by one or more classes within the distribution of GDP per capita values.[9] On the other hand, regions such as Aragon (Sp), Lazio (It) and West Midlands (UK) moved upwards. The task of the Commission in the framing of the new policy was the traditional Monnet-style one of upholding the

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[9] Regions were grouped into five equal sized classes in terms of their 1980 GDP per capita and the statistics analysed via markov chain analysis, see Armstrong and de Kervenoael (1997: 42).

Community's collective goals and interpretations of shared purposes and agreements in the interest of the collectivity of its citizens.

Concern had been expressed by some of the poorer regions about the concentration of wealth in the Community's core economies (the wealthier member states). But economic considerations in relation to Community regional policy formed only part of the picture. The rapid rise of Community expenditures, largely as a result of spiralling Common Agricultural Policy (CAP) spending, increased the *political* saliency of Community expenditure and efficiency issues. From the early 1980s, the minds of net contributors such as the UK and Germany had been concentrated on the need to see that Community money was well spent for Community purposes (see House of Lords: 1982). The Integrated Mediterranean Programmes experience has been offered in Chapter 4.4 as evidence of the change in the preferences (the functional expectations) of the wealthier member states. It was suggested that these powerful partners were becoming *attuned* to the idea that Commission oversight might be a price worth paying to ensure that the much larger sums committed to the poorer member states (Greece, Spain, Portugal and Ireland) were not squandered. A link had been established between questions of efficiency and effectiveness on the one hand, and the administration of the structural funds on the other. The case for active involvement for the Commission in Community regional policy had been accepted: 'the converging policy preferences of member governments created what Kingdon (1984: 21) calls a 'policy window' of increased member state receptiveness to the Commission's proposals for structural reform' (Pollack 1995: 373).[10]

5. 3 Cohesion and the policy rationale

The economic case

The case for a Community regional policy was, in some respects, similar to that of anti-disparity policies within member states. There was an economic rationale, a social rationale

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[10] Kingdon (1984) argues that separate streams of problems, policies and politics come together at certain critical times... 'The timing of this coupling is influenced by the appearance of "policy windows"... opened either by the appearance of compelling problems or by happenings in the political stream' (Kingdon 1984: 21).

and a political rationale, separate but mutually reinforcing (Hooghe and Keating 1994: 368). The economic case was that intervention was necessary to overcome adverse effects of market integration on disadvantaged regions. Specifically, lagging regions needed a range of inputs. This included infrastructure and human capital endowments; an export base to take advantage of the new markets; production specialities in which they had a comparative advantage beyond low wages; and entrepreneurial skills. There was a broad, though not universal, consensus that the internal market and monetary and fiscal convergence were likely to exacerbate the problems of less favoured regions, justifying policy intervention on the part of the Community. As Anibal Cavaco Silva, former Prime Minister of Portugal, pointed out in 1998, such regions were less productive and less attractive to investors: 'Most authors consider that these disparities will continue to increase if there is no active policy to reduce them' (Cavaco Silva 1998: 11).

The social case

The cohesion concept was designed to fulfil the promises embodied in the single market programme, and represents the Community's response to the concerns expressed by the poorer regions that the concentration of wealth in the Community's core economies (the wealthier member states). But the economic case for cohesion in the EU's regional policy was only part of the picture. The social rationale for a Community regional policy was arguably influenced by social and Christian democratic ideas, and the concept of national solidarity (see Van Kersbergen and Verbeek 1994; Scott *et al.* 1994).[11] Western European states, in the post-war era, have committed themselves to a greater equalisation of living standards and the welfare state has been one of the mechanisms for redistribution. Applying the same level of thinking at European level, there is a commitment to protect workers from adverse consequences which might be the result of market integration, or at the very least to compensate them. For example, with the free movement of persons, those living in low-income areas would be encouraged to move to more prosperous regions. So cohesion policies have a part to play, in preventing the emergence of housing problems, congestion and crime in urban areas of the better off regions. It was unlikely that 'Europe'

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[11] One such idea is the concept of subsidiarity, which draws on elaborate Christian democratic ideology and is commonly traced to Roman Catholic Social Doctrine (to the 1931 publication, *Quadragesimo Anno, a Papal encyclical*) in which the concept was used by the Catholic church as a means of resisting the encroachment of the secular state. Van Kersbergen and Verbeek (1994) argue that the idea has primarily served to reconcile the conflicting interests of principal actors affected by the consequences of the common market (see Van Kersbergen and Verbeek 1994: 220).

would be able to engender the same sense of social solidarity in the 1980s as the nation state. But such social considerations were important as underlying normative values, allowing arguments based on the language of social integration to act as a counter-balance to market values.

The political case

The need to legitimise the new economic and political order in the Community was arguably at the heart of the political case for a Community regional policy. Regional policy measures had been taken in the post-war era in nation states as a means of appeasing peripheral regions or those who felt they might lose out through change. The problem regions were generally those whose industrial development had run out of steam, and which possessed large labour reserves in agriculture, which a modernized farm sector could not employ. But increasingly regions highly dependent on traditional heavy industries, such as those in the UK, were also falling victim to becoming obsolete or simply unable to compete with their overseas counterparts. Thus a key feature of early policies was the diversion of industrial activity from one region to another. Such measures served as a mechanism for territorial management and nation building (see Keating 1988). Keating argues that the political effect of these measures was ambivalent in that they encouraged actors to articulate their political demands in regional terms and provided objects for political mobilization. As top-down regional policies were implemented on the ground and negotiated with local interests, the field became more politicised and the definition and forms of development were contested (Keating 1988: 370). A Community regional policy was necessary to gain wide support for the '1992' programme for Economic and Monetary Union in the face of deep scepticism about its effect on territorial inequalities. It was clear that the political costs for member states in seeking to achieve convergence through restrictive fiscal and monetary policies were potentially high if an effective Community regional policy was to be achieved.[12]

Intergovernmental bargaining

The task of the Commission, under Delors, was to exercise its function of initiative and to

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[12] Only a broad outline is sketched out here. For a thorough and comprehensive discussion of the way in which these considerations - economic, the social and the political - are woven into a normative context within which a Community regional policy might be framed, see Hooghe and Keating (1994).

make the consensus among member states and EU institutions operational. To this end, it authorised compilation of a semi-official report entitled *Efficiency, Stability and Equity*. In 1987, the report was produced by a group chaired by Tommaso Padoa-Schioppa, at onetime a senior Commission official. Group members had been asked to investigate the economic consequences of the decision taken in 1985 to enlarge the Community to include Spain and Portugal, and to create an internal market without frontiers by the year 1992. They were also asked to identify potential problems. The report's conclusion was that simple faith in the mechanisms of market liberalization would be insufficient to guarantee the realisation of economic growth smoothly throughout the Community's territory:

> There are serious risks of aggravated regional imbalances in the course of market liberalisation. This is because different economic processes will be at work as markets integrate, some tending towards convergence, others towards divergence. Neither dogmatic optimism nor fatalistic pessimism is warranted in these respects. Opportunities for convergence will be increased but adequate accompanying measures are required to speed adjustment in the structurally weak regions and countries, and counter tendencies towards divergence
>
> (Padoa-Schioppa 1987: 4)

Economic convergence would be crucial to the introduction of a single currency. The need for accompanying measures raised a key question for decision-makers between 1986-1988: how were they to identify the specific conditions of disparity which should be regarded as policy problems? In other words, did the Community need a more effective regional policy in order to be able to do this?

By 1987, the Community was in something of a budgetary crisis, caused mainly by rapidly escalating expenditure on the CAP. Any increase in budgetary resources required unanimous agreement among the member states. The Commission made proposals for budget reform. These incorporated cuts in agricultural expenditure, the tightening of financial controls, and the doubling of structural funds, by which time they would account for 25 per cent of the Community budget. It is widely acknowledged that the breakthrough on structural funds, which emerged as a result of some hard bargaining at a special European Council meeting in February 1988, represented an old-fashioned 'package deal'. The process was seen by member states as a price worth paying in order to secure the

freeing-up of the market.[13] The monies having been negotiated and accepted, the Commission then set about drafting the new regulations. The doubling in size of the structural funds served to underline the significance of European policy-making for the large number of regions in the European Union (see Marks 1992). It is a point to which this chapter will return.

For the first time, the operation of the European Regional Development Fund was incorporated into the same framework as the other structural funds, the European Social Fund[14] and a fund established later (in 1964) the European Agricultural Guarantee and Guidance Fund.[15] The Commission took these three funds as policy instruments and the Integrated Mediterranean Programmes as the new model of policy organisation, then proceeded to construct a broader policy of cohesion around them (Hooghe 1996: 98).

The concept of economic and social cohesion was developed within the Commission as the counterpart of the moves to completing the single market. Contained within the new Community regional policy were trace elements of all three regional policy rationales (the economic, the social and the political) discussed by Hooghe and Keating (1994). In economic terms, the policy was not and still is not limited to a fair division of resources between regions. It involved endowing lagging regions with the extra means to participate in the collective effort of European economic integration. The social and political elements of Community regional policy were reflected in the fact that support for the transfer of financial resources came from the European Commission and the European Parliament. Within the Parliament, a broad left-of-centre coalition of policy actors supported the Commission's proposals for a transfer of financial resources to the disadvantaged regions for what might be described as normative reasons. Delors (1998: 7) states that:

> Cohesion is not just about horse-trading between South and North. Its aim is to give every citizen a sense of belonging to the collective adventure of European integration. There is therefore a link, however tenuous at present, between economic and social cohesion, citizenship and the European public arena.

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[13] Moravcsik (1993: 517) defines the outcomes of such intergovernmental negotiations as being: '… determined by the relative bargaining power of governments and the functional incentives for institutionalization created by high transaction costs and the desire to control domestic agendas'.

[14] The European Social Fund (ESF) set up by Article 123 of the Treaty of Rome in 1958 was designed to develop 'employment opportunities for workers' and to raise their standard of living.

[15] The Guidance Section of the European Agricultural Guidance and Guarantee Fund (often called by its French acronym FEOGA) was established by Regulations 45/64 and 99/64 and set up to operate the financial costs of the Common Agricultural Policy (CAP).

The policy rationale

The policy rationale was a combination of all three of the above. A reshaped European political economy emerged in the 1980s as national Keynesianism gave way to the concept of a common European market.[16] Hooghe and Marks (2001: 105-106) argue that this model was displaced by two different "projects" for organizing society in Europe. These were respectively neoliberalism and regulated capitalism. Neoliberalism supporters favour the idea that markets should be protected from political interference by a combination of European market integration and national sovereignty. National governments would then compete to attract capital searching for a home, all of which would lead to a liberal regulatory regime. Proponents of regulated capitalism, on the other hand (such as Jacques Delors) argued that redistributive policies are justifiable on the grounds of pragmatism. They empower weaker actors to compete in the market, and the iterated collaboration among public and private actors has the capacity to reduce social conflict as well as enhancing mutual leaning.

Alongside the European Parliament and the European Commission, there was an equally important constituency in the shape of the southern bloc of states and Ireland, which was also committed to the cohesion concept. Annibal Cavaco Silva, former Prime Minister of Portugal, endorsed this view on behalf of the poorer member states, suggesting that cohesion policy, whilst not direct redistribution to the individual (the exclusive preserve of national governments) nevertheless had an impact on peoples' lives. It was intended in some cases to improve conditions for certain sections of society, such as people working in the agricultural sector or the long-term unemployed (Cavaco Silva 1998: 10). The social and political aspects of Community regional policy (the emphasis on reinforcing the sense of common citizenship among European citizens and on the social unacceptability of inequalities) were for countries such as Spain, Portugal, Greece and Ireland just as salient as the economic.

5. 4 1988: the watershed

ERDF Regulations: 1988

The structural funds increased in significance for the EU generally, and for sub-national

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[16] Keynesianism was a form of economic management in which active spatial policies were used to counterbalance territorial disparities in which compromises could be reached and embedded in institutional reform.

actors in particular, after the signing of the Single European Act in 1987. This treaty revision committed member states to the strengthening of economic and social cohesion of the European Union by amendment of the structure and operational guidelines of the structural funds. In pursuit of this aim, the Council of Ministers agreed to five structural fund regulations in 1988. These were to come into force as of January 1989 through to December 1993. This combination of regulations laid out how the new commitments to economic and social cohesion were to be put into practice. Specifically, the aim was to concentrate financial resources on clearly targeted objectives; to establish more effective implementation of assistance via a partnership among the EU, national governments and sub-national actors; and to revive emphasis on the additionality principle

Article 130d of the Single European Act had called for a reform of the three structural funds (ESF, ERDF and EAGGF) through a framework regulation (Council of the European Communities 1988). The general principles outlined in the 1987 draft regulations were endorsed at the same time as the Brussels European Council agreed to a doubling of the structural fund resources in February 1988. The structural reforms of 1988, and the framework of regulations which emerged, are generally seen as the point at which the balance of importance swung further to the *development* function of the ERDF, as opposed to its previous function as a simple means of transfer of resources to member states. In the context of a general period of expansion of Community competencies, additional fund resources were accompanied by rules governing their operation and these rules were re-written a manner consistent with the Commission's earlier attempts to frame regional policy. Detailed examination of the Regulations illustrates the way in which the Commission hoped to achieve this framing of the policy.

Three main 'Framework, Horizontal and Implementing' Regulations came into effect in 1989 (Council of the European Communities 1988). The underlying principles promoted by the European Commission, and highlighted earlier in this chapter, were strengthened and explicitly set out in a number of Community documents. It should be emphasised at this point that (as Chapter 4 explains in detail) the guiding principles of the priority objectives of the 1988 reform had informed European Commission attempts to reform the ERDF since its inception. The terminology employed has not always been the same. For example, the term partnership seems to have been used for the first time in the 1983

proposals, and then only in the context of 'programme contracts'. That said, the Commission had over time pursued acceptance of these principles and their objectives, despite the fact that it made only sporadic progress. In 1988, during a period of optimism and expanding competencies for the European Commission, these principles were made explicit and given a firm footing in the revised Regulations. The fundamental principles appear in the Commission's own *Guide to the Reform of the Communities Structural Funds* (see **Box 5.1**)

Box 5.1.
The fundamental principles of the structural funds

Concentration: the principle that the allocation of the structural funds and loan instruments of the EC should be concentrated in favour of the most disadvantaged regions, focusing on those priority regions experiencing the greatest difficulties

Programming: the principle that assistance should be disbursed and managed through multi-annual programmes rather than an individual, project-based system

Partnership: the principle that the European Commission, the member state government concerned, and competent authorities at the national and regional levels should consult as a
partnership in the preparation, financing, monitoring and assessment of programmes, all in pursuit of a common goal

Additionality: the principle that European grants should be additional to (and not a substitute for) national assistance to target regions

Source: Commission of the European Communities (1989)

Concentration of resources

Community regional policy was to be transformed into an instrument with real economic impact. Regions whose development lagged behind had to meet the criteria for eligibility for assistance from the structural funds as follows: 'Regions at NUTS level II whose per capita GDP on the basis of the figures for the last three years, is less than 75%

of the Community average' (Commission of the European Communities 1988).[17] The regulations made provision however for extending eligibility to certain regions whose GDP was around 75% of the Community average but for which there were special reasons for including them. In line with the principle of concentration, structural fund support was focused on five priority objectives (see **Box 5.2**) . Regions such as those outlined above would come under the heading of Objective 1.

Box 5.2.
Five priority objectives

1988-1993

Objective 1

Promote development of lagging regions (GDP per capita less than or close to 75% Community average)

Objective 2

Converting regions affected by industrial decline (unemployment above Community average industrial unemployment)

Objective 3

Combating long-term unemployment

Objective 4

Facilitating occupational integration of young people

Objective 5 with a view to the reform of the CAP

5a adapting production, processing and marketing structures in agriculture and forestry
5b promoting the development of rural areas (high agricultural employment, low agricultural income, low per capita GDP)

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[17] The Nomenclature of Territorial Units for statistics (NUTS) was established to provide a single uniform breakdown for the production of regional statistics. Each member state is sub-divided into a number of NUTS I regions, each of which is in turn sub-divided into NUTS II regions, which are themselves divided into NUTS III regions. There are 71 NUTS I regions; 182 NUTS II regions and 1044 NUTS III regions.

Although the bulk of the mainstream structural funds were allocated according to the five objectives, Community Initiatives (programmes devised by the Commission to meet outstanding regional needs) were allocated approximately 9 per cent of the ERDF budget. Alongside non-quota and Community programmes like RESIDER (steel areas) and RENAVAL (shipping and shipbuilding), were Community Initiatives such as INTERREG (to promote cross-border co-operation, especially in Objective 1, 2, and 5b regions, by supporting programme instigated jointly by member states). RECHAR on the other hand, (designed to assist coal-mining areas) would primarily address the needs of specific types of regions such as those suffering from the decline of a dormant industry. Designated areas for assistance under Objective 1 were listed in the Framework Regulation. Under this Objective, seven member states qualified for assistance, and coverage included the whole of Greece, Ireland and Portugal.

The demand for Objective 2 status was very high: 'In respect of Objective 2, eligibility for assistance was negotiated between the Commission and national governments, following proposals on behalf of over 900 regions by member states (McAleavey 1995: 157). In the event, 60 regions in nine member states were eligible. It is a measure of the controversy surrounding Objective 2 designation that coverage reached some 16.7 per cent of the total Community population (Commission of the European Communities 1994). This contrasts sharply with the ceiling provided for in the Framework Regulation, which was set at 15 per cent of population outwith the designation of Objective 1 areas. Coverage for Objective 2 ought to have been 11.27 per cent (that is with Objective 1 covering 21 per cent, Objective 2 coverage should have been 15 per cent of 78.3).[18] In practice, however, the Objective 2 area designation proposals exceeded this ceiling by such a wide margin that it became clear that it would be politically impossible to restrain coverage to this extent: 'Instead there was a tacit agreement to "reinterpret" the 15 per cent ceiling as referring to 15 per cent of the total population rather than the remainder after the designation of Objective 1' (Wishlade 1996: 36). In other words, resources were going to be spread more thinly, which was not the objective of the concentration principle at all. In spite of the Commission's stated desire that the increased resources be targeted at areas of greatest need, decisions on

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[18] For a full account of budgetary allocations in the 1988 reform of the structural funds see Wishlade (1996) also Michie and Fitzgerald (1997).

eligibility for assistance under Objective 1 were taken by the Council and decisions on eligibility for Objective 2 were heavily influenced by national governments. It might be argued that the Commission's efforts to concentrate resources were, to some extent, trumped by an old-fashioned intergovernmentalist 'carve-up', as had happened so often in the past. The share of structural funding, including allocations from the non-regional Objectives 3, 4 and 5a received by each member state is detailed over in **Boxes 5.3a and 5.3b over**

Box 5.3a			
Allocation of the structural funds by Objective and country, 1989-93 (in million ECU)			
Member state	**Objective 1**	**Objective 2**	**Objective 5b**
	CSFs	**CSFs**	**CSFs**
Belgium	–	290	32.5
Denmark	–	37	23
France	888	1,227	960
Germany	–	616	525
Greece	6667	–	...
Ireland	3672	–	–
Italy	7443		
Luxembourg	–	21	2.5
Netherlands	–	174	44
Portugal	6958	–	–
Spain	9779	1361	285
United Kingdom	793	2545	350
Total:	36,200	6,698	2,607
Source Commission of the European Communities (1992)			

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│                          Box 5.3b                           │
│        Overall Allocation of structural funds (in million ECU) │
│                                                             │
│   Total Objective 1, 2 and 5b CSFs              45,505      │
│                                                             │
│   Community Initiatives for Objectives 1, 2 and 5    3,207  │
│                                                             │
│   Objectives 3 and 4 (including Community Initiatives)  7,450 │
│                                                             │
│   Objective 5a                                   3,415      │
│                                                             │
│   Transitional and innovatory measures           1,150      │
│                                                             │
│   New Lander                                     3,000      │
│                                                             │
│   Total structural funds 1989-93                 67,727     │
│                                                             │
│   Source Commission of the European Communities (1992)      │
│                                                             │
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Programming

The programme approach involved a switch from individual project support to programme financing with plans covering, in the first instance, a period of three or five years. Objective 1 regions received programme funding for five years, while Objective 2 programmes received funding for three years, on the grounds that structural funds needed to be able to make a flexible response to regional problems caused by unexpected industrial decline. Under the 1988 rules, programmes initiated at the national level were adopted by the Commission on the basis of Community Support Frameworks (CSFs). These were to be separately negotiated between the Commission and individual member governments on the basis of either national or Regional Development Plans (RDPs). Such plans were to be linked to the objectives and priorities of the funds and to be drawn up after full consultation with the sub-national implementers.

In addition, each programme would be monitored and assessed to ascertain whether money had been spent appropriately (COM 1989). CSFs, which accounted for 90 per cent of the funds budget, were devised in partnership, which considerably weakened the Commission's agenda-setting capacity for this part of the budget (see Pollack 1995). In other words, the Commission did not have a free hand in the programmes' designs. Community Initiatives (CIs), on the other hand, which accounted for the remaining 10 per cent of the budget, were Community-wide programmes designed by the Commission to

focus on a particular problem or region. Here the Commission was able to push its programming principle furthest as CIs gave the Commission more opportunity to structure the choices of member state governments. In this area the Commission had considerable autonomy.

Partnership

The Commission's promotion of the principle of partnership forms part of the history of Community regional policy. From the early 1960s, the European Commission's goal had been to introduce a regional development strategy which would include all public authorities and, from the 1970s, specifically sub-national authorities. From 1979, Regional Development Programmes had been at the centre of a series of reforms proposed by the Commission and aimed at involving new partners in Community regional policy formulation. Consultation of sub-national authorities was made a formal requirement by the Framework Regulation adopted by the European Council in 1988. Regulation 2052 formally defined partnership as:

> Close consultation between the Commission, the member states concerned and the competent authorities designated by the latter at national, regional, local or other level, with each party acting as a partner in pursuit of a common goal
> (Council of the European Communities 1988: Article 4)

Partnership was the critical innovation introduced by the 1988 reform. The role of the partnership was to be:

> Active in the management, presentation, financing, monitoring and assessment of structural fund operations, including the preparation of regional development plans for submission to the Commission; negotiation of the CSFs; implementation of the Operational Programmes; and monitoring and assessment of measures taken.
> (Rhodes *et al.* 1996: 303)

The Commission hoped that formal involvement of sub-national actors most familiar with the problems and priorities of targeted regions would make regional policy more effective. Nanetti (1996) summarises partnership as follows: 'Regions had long been absent from the national formulation of development policies, which had only been *for* the regions and not *by* the regions. The Commission's new regional policy was formulated on the basis of an

effective partnership between the three levels of institutions [sub-national, national and supranational]' (Nanetti 1996: 64).

Additionality

The Commission had aspired, by means of the 1988 reform of the structural funds, to strengthen its position on additionality. There had been a long-standing debate on whether the principle had been respected by member governments when the Funds' resources were distributed. For example, evidence given to the House of Lords Select Committee on the European Communities in 1988 suggested that it was difficult to establish whether or not additionality had been followed at least in the UK (House of Lords 1988: 18). It seemed that genuine additionality had occurred only rarely (such as under the Belfast renewal programme), but the Committee was of the opinion that not all member states shared the UK's somewhat ambivalent attitude to the principle, which was fundamental in underpinning the reform of the structural funds and ensuring their effectiveness (Michie and Fitzgerald 1997: 19). The actual wording agreed by the European Council was:

> In establishing and implementing the Community Support Frameworks the Commission and the member states shall ensure that the increase in the appropriations for the [structural] funds...has a genuine additional impact in the regions concerned and results in at least an equivalent increase in the total volume of official or similar [Community or national] aid in the member states concerned, taking into account the macro-economic circumstances
> (Council of the European Communities 1988)

Additionality was a key principle because the increased allocation of Community funds was meant to lead to an equivalent increase within the member states. It meant that national government expenditure should match Community expenditure, and that European funds should not be used as a substitute for funds from national sources. For policy-makers and policy practitioners, additionality has been a source of considerable contention not so much because the concept itself is opposed but rather because the principle is notoriously difficult to demonstrate. This is another point highlighted by the House of Lords Select Committee, which took the view that the programme approach would make the old arguments about additionality less significant:

> Programme applications will be made in direct response to the objectives guidelines and eligibility rules laid down by the administrators of the Funds. It will therefore be impossible to know for certain whether similar programmes

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would have been developed and financed without the promise of some Community funding. The probability is that some such programmes would never have got off the ground without grants from the Community.

(House of Lords 1988: 18).

The UK government had taken up a position in the negotiations over the proposed reform of the structural funds, which threatened to block agreement on the whole package. In so doing it soured relations between itself and the Commission for some time to come.[19] But most member states asserted that Community funding was indeed additional, though most also experienced difficulties in demonstrating this to the Commission's satisfaction (Wishlade 1996: 46).

Some scholars take the view that all of the principles above were intended to strengthen the position of regional actors. Hooghe and Keating (1994) argue that the regulations prescribed an integrated approach to regional development. As this process linked specific cohesion concerns to technology, environment, education and training, public procurement and competition, the regions would be brought into contact with a wide range of Community policies. It might also encourage the regions to organise themselves more coherently (Hooghe and Keating 1994: 379). In an interview, which took place a decade later, then Commissioner for Regional Policy Bruce Millan confirmed the Commission's enthusiasm for regional and local actors to concern themselves not *just* with Community regional policy but with a whole range of Community-wide policies, with a view to expanding their knowledge and expertise.[20]

The integrated approach in action

The principles of programming and partnership formalised relationships which had existed for several years among and between sub-national authorities in the member states and the Commission. In an account of his experiences in sub-national policy-making at both domestic and European level, one former local authority official has confirmed that regional authorities in the UK, Strathclyde for example, had a history of being involved in a variety of discussions and initiatives with selected regions: Asturias in Spain; Piedmont

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[19] For a full discussion of the stance taken by the UK government in relation to the 1988 reform of the structural funds, see Bache (1998: 77-79).

[20] Interview on 18 March 1998.

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in Italy; and Nord Pas de Calais in France prior to 1988.[21] The region was well equipped in terms of experience to take advantage of the reform of the structural funds, and its experience is an excellent example of Community regional policy in action. The European Commission had first experimented with tying together the three structural funds (ERDF, ESF and EAGGF – guidance) in the Integrated Mediterranean Programmes in 1985 (see Chapter 4.4). This integrated approach was the one on which the new Community regional policy was based; central to this approach was the Integrated Development Operation.

Following consultations between the Regional Policy Commissioner Bruce Millan and various national government ministers early in 1989, the Commission published a list of Objective 2 regions in the Community, which covered almost 15 million Community inhabitants (McAleavey 1992: 16). The indicative allocation set out by the European Commission in the Community Support Frameworks for nine Objective 2 areas in the UK was 38.3 per cent of the total Objective 2 allocation. By 1989, Strathclyde region met all the criteria laid down by the Commission for Objective 2: it was the archetypal Objective 2 region. The Strathclyde Integrated Development Operation (1988-92) was one of Europe's first integrated Objective 2 economic development programmes, approved for a five-year period from 1 January 1988 to 31 December 1992. It involved a total of £284 million of support from the structural funds (£232 million of ERDF grants and £42 million in ESF grants). The Programme was devised as a long-term strategy for the regeneration of the region's economy and its impact was expected to become increasingly evident as the 1990s progressed (Russell and McCreadie 1996: 3).[22] The bases for the development of the IDO were the economic and social problems confronting the Programme area caused by the decline of the region's traditional industries. These problems had led to its becoming one of the most economically disadvantaged industrial regions in Europe. Strathclyde region's relative isolation, very high unemployment and poor business growth record meant that the IDO's integrated approach was essential if permanent improvement was to be secured.

The development of the IDO strategy was undertaken at a time when the Strathclyde economy had experienced an employment fall of 8.5 per cent from 894,000 persons

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[21] Such discussions often took place in fora such as the Council of European Municipalities and Regions (taken from interview with ex-official, Strathclyde region, 4 February 1998)

[22] For a full evaluation of the lessons learned from the 'programme experience' and the impact of the Strathclyde IDO see Russell and McCreadie (1996). For background information on Strathclyde's progress in small-scale partnerships as part of the Urban Programme (jointly funded by the Scottish Office and local authorities prior to 1988) see Turok (1997).

employed in 1981 to 818,000 in 1987 (Russell and McCreadie 1996: 3). During the same period, male full-time employment had declined by 15 per cent. The greatest decline had taken place in the manufacturing sector where employment had fallen by 25 per cent from 249,000 in 1981 to 188,000 in 1989. The overall aim was to build a sound base for long-term, self-sustaining growth. Seven ERDF Programmes and ESF supported Action Programme were devised to achieve the objectives, which were to improve the long-term competitiveness of the region's industrial and commercial enterprises. There was to be more emphasis on Small and Medium-sized Enterprises (SMEs), developing new sectors such as tourism and commercial services, strengthening the most competitive sectors of the manufacturing base, and developing Glasgow's role as a regional service centre.

In terms of management, the Programme was managed by the Strathclyde IDO Co-ordinating Committee, which had the overall strategic role for programme management and implementation. It was responsible for monitoring and evaluation against targets, for considering revisions to the programme, and for future direction and policy. In addition, two Working Groups to oversee the detailed implementation, co-ordination and monitoring of the ERDF and ESF supported sub-programmes, were established. The Co-ordinating Committee and Working Groups were supported by the Programme Executive which directed and co-ordinated the programme activities. From the outset, national, regional and local actors had roles to play in the Community regional policy process. In time, the Programme Executive staff had to be increased to five in response to the increasing workload experienced by its members. The workload reflected the increasing number of partners, the increasing number of applications for ERDF and ESF support, and the increasing appraisal and monitoring requirements. It also reflected the additional guidance partners required before submitting applications. This continual development was based on lessons learnt during the initial programming period but also reflected the change in emphasis of the structural funds, with increased requirements on the need for more detailed information on physical outputs and economic impact. The experience obtained during 1988-92 was to play a major role in developing new management systems for the 1993 Western Scotland Operational Programme and the 1994-96 Single Programming Document.

Strathclyde's Integrated Development Operation was widely regarded as being a success:

The IDO was the first example in the UK of an autonomous executive managing a major programme. This model was encouraged by the European Commission and the Scottish Office as a way of involving the regional parties in the management of the programme. An indicator of its success is the fact that an additional three independent executives were introduced to manage the 1994- 1999 Single Programming Documents (SPDs) in Highlands and Islands, Eastern Scotland and Dumfries and Galloway in Scotland

<div align="right">(Russell and McCreadie: 1996: 11)</div>

The conclusion reached by the authors of the Report on the Strathclyde IDO was that the introduction of a Programme Executive was successful in managing the implementation of what was at the time the largest Objective 2 programme in Europe. This was a considerable achievement considering that the IDO was the first attempt to move to a strategy-based approached which covered a major region in terms of size and population and *which involved a large number of public sector partners* (my emphasis). A breakdown of ERDF expenditure by sector illustrates the range of partners (see **Box 5.4**)

Box 5.4		
Range of partners involved in the Strathclyde Integrated Development Operation		
Partner organisation	**ERDF**	**%**
Regional Councils	£122.022m.	53%
District Councils	£29.7m.	13%
Strathclyde Passenger Transport Executive/ScotRail	£24.713m.	11%
Local Enterprise Companies	£21.266m.	9%
Scottish Office/Scottish Enterprise National	£6.968m.	3%
Development Corporations	£11.824m.	5%
Other	£13.915m.	6%
TOTAL	£230.449m .	100%
Source Russell and McCreadie (1996)		

The Commission had sought to increase the participation of sub-national actors in the formulation and implementation of Community regional policy. Its promotion of the principles of programming and partnership and the way in which the Commission framed Community regional policy (i.e. the formal requirement in the Framework Regulation that sub-national authorities be consulted) meant that ventures such as the Strathclyde Integrated Development Operation involved a wider range of actors at sub-national level than ever before in EU regional policy-making.

Conclusions

The 1988 reform of the structural funds is regarded by scholars as something of a watershed in the history of Community regional policy. In the context of decision-making, the Single European Act represented the first collection into one body of the principles, laws, rules and procedures agreed by member states under the treaties and legislation of the Community. Of itself, this was a significant event. But the SEA's chapter on economic and social cohesion also provided a Treaty basis for the radical overhaul of the structural funds in 1988. In addition, the decision to raise the profile of Community regional policy in the context of enlargement arguably resurrected the tensions endemic in this policy sector: specifically, those between the potential functions of the European Regional Development Fund as primarily a tool for regional development, or a simple channel for rebates to national governments.

Traditionally much of the research on Community regional policy, and on the European Regional Development Fund in particular, has focused on horizontal negotiations between member states. These negotiations mostly centred around the overall size of the fund's budget and member states' respective shares from it. From an intergovernmentalist perspective, particularly in terms of the budget envelope agreed in 1988, a relatively straightforward intergovernmental bargaining scenario explains the agreement. The role of the European Commission and sub-national authorities is generally interpreted as marginal to this process.

The multi-level governance approach, on the other hand, paints a different picture. Marks (1992) predicted that the 1988 reform of the structural funds would mobilize regional and local governments into vying for resources and competences, and forming alliances both

within and around member governments. He claimed that, by specifying how empowerment of sub-national actors should be organised (via the administration of the new structural fund programmes) the Commission hoped to achieve a uniform pattern of sub-national involvement in Community regional policy-making. This claim is difficult to sustain in the light of the territorial asymmetries both among and within member states. But that is not to say that sub-national mobilization did not begin to emerge.

It is accurate to say that the decisions concerning financial redistribution were indeed taken at the highest level of Community decision-making, according to an intergovernmental logic of compensation and package deals. But the member states, in signing up to the institutional reforms of the SEA also signed up to a new agenda for the recovery of the Community. National governments committed themselves to the need for economic and political change. However, such decisions took place before discussion among member states had made clear the nature of the 'regional problem' in the Community in the context of future enlargement. As Gary Marks aptly puts it: 'while many policy areas can be described as a set of institutions looking for funding, cohesion policy (Community regional policy) is funding looking for a set of institutions' (Marks 1996: 389).

In the task of developing the policy, the Commission had secured a key role for itself in 1985, with the introduction of the IMPs (see Chapter 4.4). From a framing perspective, in 1987 national governments were faced with decisions which arose at a politically important moment of choice – a critical juncture. The Commission played an important role in framing the policy which emerged as the product of those decisions of governments. In the aftermath of the signing of the Single European Act, member states established a link between concern to strengthen economic and social cohesion and the aim of reducing disparities between the levels of development and the backwardness of the least favoured regions. Member states were committed to the need for economic and political change. In this instance, the Commission proposed a frame for Community regional policy in line with one which had previously attained mutual consent (the Integrated Mediterranean Programmes) and had become a tried and trusted strategy. The Commission's framing of Community regional policy was acceptable because member states believed it would achieve their collective goals. They did so for two reasons. First, a concept was introduced to them that was promising in terms of procedural benefits (there was perceived to be something in it for everyone). Second, the concept met the normative aspirations (social

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and economic cohesion) and functional demands (the reduction of regional disparities) of member states. The concept was partnership.

The Commission produced a package of legislation, organisation and resources designed to achieve their political, economic and social goals, with programming and partnership as its core components. The institution took advantage of a policy window of increased receptiveness on the part of member states to its proposals, and took the opportunity to design institutional mechanisms and policy instruments aimed at involving all public authorities in the regions in the policy process. The Strathclyde Integrated Development Operation (1988-92) has been offered as a working example of the Commission's integrated approach in action, and in terms of policy as outcome, sub-national actors' capacities were indeed required to assemble acceptable development programmes as suggested by Anderson (1990: 430-431) in Section 5.1 of this chapter. Programmes such as these had the capacity to mobilise sub-national authorities.

In terms of policy outcome, while the SEA did not, in effect, give sub-national actors any formal role in Community policy-making, the framing of the second generation regional policy did. The principles of programming and partnership were designed by the Commission to try to ensure the participation of local and regional actors in the Community regional policy process. In the context of a general expansion of EU competencies, the rules operationalizing the structural funds were re-written in a manner consistent with prior Commission attempts to frame policy in line with its new policy ideas on the way forward for the Community. Within the 1988 Framework Regulations, conditions existed which were aimed at fostering sub-national mobilization. This chapter argues that the Commission hoped at best to move in a new direction: to fashion a Community regional policy with mechanisms which facilitated the involvement of regional and local actors, steering the focus away from arguments of *juste retour* and towards genuine regional economic development objectives.

Chapter 6: The 1993 reform of the structural funds

Introduction

This chapter examines the complex picture that emerged in the Community regional policy sector in the wake of the 1988 reform of the structural funds. It pursues the inquiry into how and to what extent sub-national authorities and other regional and local actors in the European Community were mobilised to seek increased involvement in Community policy and decision-making. The 1993 reform of the structural funds was part of a general 'gearing up' of the Community to meet the challenges of the future. But the development took place at a time when renewed academic interest in study of the regional dimension was beginning to coincide with a wider re-focusing on the concept of nation states, and was further encouraging the use of the region as a lens through which political scientists might scrutinise the further development of EU regional policy (see Jeffery 1997). It is argued here that this was a critical juncture not only for EU regional policy but also for its theorists.

The second reform of the structural funds originated from a meeting of the European Council in Maastricht in December 1991. There was a perception among member states that the Community should move towards closer economic and political union, and a recognition that measures to achieve economic convergence would be endangered without associated action to improve economic and social cohesion: another 'grand bargain', the Treaty on European Union (TEU), was in the making. The 1988 regulations had stated that revisions in 1993 would be based on Commission proposals and to this end the European Commission published its assessment and outlook for the Community Structural Policies (Commission of the European Communities 1992). The document contained a wide-ranging review of the progress made under the reformed funds, and their impact at the point of implementation.

Despite concerns expressed by member states regarding the bureaucracy surrounding the three-stage planning process,[1] the overall assessment was relatively positive. However, one of the report's key themes was that those policies aimed at achieving economic

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[1] For a detailed explanation of discussions surrounding these member state concerns, see Pollack (1995: 378).

convergence needed to be reinforced as the scale of disparities between regions was continuing to cause concern. The Commission therefore proposed further significant increases in structural funding amounting to two thirds over five years and outlined proposals for the new Cohesion Fund. The report also recommended retention of the main principles of the 1988 reform (concentration, programming, partnership and additionality) as the basis for the distribution and division of the available funds. In the view of the Commission, the new structures created in 1988 did not require radical change, they needed only to be built on and improved. In other words, the Commission saw little need for wide-ranging and fundamental reform (Commission of the European Communities: 1993a). However, it also suggested that some of the issues arising out of the 1988 reform, notably that of planning bureaucracy, be addressed.

The 1988 reform of the structural funds had refocused attention on the regional dimension of the EU, and in doing so had generated much political and academic interest. The decision to administer the new structural fund programmes as partnerships between central and local government, the European Commission, and other relevant actors was seen by some as one of the key institutional reforms of the time.[2] In a sense, one core goal of the policy's framers, the Commission, was a policy made for the regions, and by the regions. Such an objective was certain to meet resistance from central governments in the more centralised states such as the UK, and especially when they were facing demands for devolution. Some even saw the principle of partnership as an early example of subsidiarity (Bache 1998: 75).[3] Interpretations such as this led to a focus on the political implications of the policy and, more specifically, to a focus on the leadership qualities of Commission President, Jacques Delors. These diverted attention, to some extent, from the actual policy content. The policy ideas were subsumed by the politics, as the first section demonstrates.

6. 1 Maastricht: a changing political context

The debate among theorists

Chapter 5.1 discussed in some detail the theoretical explanations surrounding the 1988

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[2] For a review of literature on the subject see Marks (1992); Hooghe and Keating (1994)

[3] The principle of subsidiarity (as outlined in Chapter 5.3) was formally enshrined in the TEU, and has since been considered the single most important principle governing the functioning of the EU. The concept, as it appears in Article A of the Treaty, refers to "the process of creating an ever closer union...in which decisions are taken as closely as possible to the citizen". For a discussion of a UK perspective on implementing subsidiarity by means of EU regional policy, see Dardanelli (1999).

reform of the structural funds and, more specifically, the implications for the activity described as sub-national mobilization. Gary Marks predicted that among the unintended consequences of the 1988 reforms would be the strengthening of the Commission, and the mobilization of regional governments, vying for resources and competences and forming alliances with and around member governments in what he calls a 'system of multi-level governance' (see Marks 1993: 392). A link was posited between the role of the Commission in the framing of Community regional policy, on the one hand, and sub-national mobilization on the other. There is an underlying assumption in this model that the Commission's motives were political, that in the process it sought to draw power to the EU institutions and away from member states.

Pollack (1995) took a different view. For him, member states could always push through changed preferences, as in the 1988 reforms when the Commission was granted more autonomy in Community regional policy on the grounds of efficiency and effectiveness. Similarly, state-centric approaches assume that member-state executives can always change the rules when policy outcome was unexpected and where the product of impact did not reflect the sum of the purposes of the original decision-makers. In other words, largely unforeseen outcomes (such as sub-national mobilization via programming and partnership, inadvertently sanctioned in a bid to secure efficiency and value for money) can always be redressed by altering the framing of the policy. From this perspective, all aspects of Community regional policy, that is to say redistributive bargaining, the adoption of fund reforms, and the implementation of those reforms, put member states and the institutional rules they establish to govern Community policy-making firmly at the heart of the process. It should be noted, however, that while multi-level governance and state-centric approaches offer competing explanations of developments in EU regional policy, they share acknowledgement of the increasing importance of the regional dimension in the EU.

Other approaches elected to focus on the domestic context in relation to EU policy and decision-making. Jeffery (1997) suggested that sub-national mobilisation was more likely to stem from decentralisation in member states, and a growing sub-national policy activism. The provision of a broader and more solid *intra*-state base would be the vehicle whereby sub-national authorities might access the European policy process. Bache (1999), on the other hand, chose to focus on the way in which partnership arrangements were implemented and how this process impacted on the relationships between central

governments and sub-national authorities throughout the member states. Differences became apparent even *within* member states: 'Indeed, within the UK itself, there were discernible differences between regions in the extent to which sub-national authorities were empowered by the partnership principle and, related to that, the extent to which national government ceded control over decision-making' (Bache 1999: 35).

Chapter 5 of this thesis concluded that in 1988 the Commission had contrived to produce a Community regional policy frame to which all the member states felt they could sign up. The institution identified a policy window of member state receptiveness, and took the opportunity to propose a policy frame (underpinned by the concept of partnership) aimed at involving public authorities and other local actors in regional policy-making activities. The framing approach accepted that a link existed between the Commission's policy framing and sub-national mobilization. In considering policy as outcome, Chapter 5 demonstrated how programmes such as the Strathclyde Integrated Development Operation, framed on the basis of the partnership concept, mobilised sub-national actors into playing a significant part in policy design and implementation. The purpose of this chapter is to explore developments and their outcomes in this policy sector in the mid-1990s, to establish how best to explain the process and progress of sub-national mobilization in the light of the competing claims above as well as the framing approach.

Agreements at Maastricht

The Maastricht Treaty of December 1991 prepared the ground for a large spending increase on EU regional policy, following the doubling of structural funds agreed to in 1988. The history-making decision on the part of member states to sign up to the TEU also created another critical juncture in the development of EU regional policy. The Maastricht Treaty and the Cohesion Fund highlighted, once again, the significance of EU regional policy in intergovernmental bargaining at the highest level. In order to satisfy the poorer states (led by Spain) that further enlargement would not jeopardize their economic interests, the Council acted unanimously on a proposal from the Commission and set up the Cohesion Fund. A Protocol, attached to the Treaty at Maastricht, constituted an interim agreement between the member governments outlining, in broad terms, the changes to the structural fund budgets. These were to be agreed later at the December 1992 summit in Edinburgh when precise sums were discussed. The main protagonist on behalf of the poorer countries,

Spain, deployed a three-prong strategy which consisted of: insistence on the need for more financial aid; linking the Cohesion fund to more widespread demands for an increase in the structural funds; and threatening to withdraw from other agreements reached such as opening accession talks with the countries of EFTA.

In 1992, the Commission also presented its proposals for a budgetary package for the EU for 1993-97. These included proposed improvement of the operation of the structural funds and an increase in spending for Objective 1 regions (Commission of the European Communities 1992). The Edinburgh Council accepted the Commission's opinion that the principles of the 1988 regulations: 'had been tested and there is evidence that they are sound and only minor adaptations will be needed in the future' (Sutcliffe 2001: 298). These 'minor adaptations' would be at the centre of the budgetary bargaining which took place later in 1993. Many of the member states took the view that the Community should move towards closer economic and political union (Michie and Fitzgerald 1997: 21). This perception was accompanied by a growing recognition that measures to achieve economic convergence would be at risk in the absence of appropriate action to improve economic and social cohesion. Their intent is reflected in the wording of Article B (now 1) of Title 1 (Common Provisions) of the Treaty on European Union: 'the promotion of economic and social progress which is balanced and sustainable, in particular through the creation of an area without internal frontiers, through the strengthening of economic and social cohesion and through the establishment of economic and monetary union'. A number of new objectives were included in Article 3 are a number of new objectives, not the least of which was the encouragement and development of Trans-European Networks (TENS).[4]

Article 130d represents agreement reached in relation to reform of the tasks, objectives, organisation and implementation of the structural funds, as well as the establishment of a new Cohesion Fund for the poorer member states such as Greece, Portugal, Spain and Ireland. The Fund was allocated 15.15bn.ecus over a period of seven years (1992-1999). The increase in the structural funds budget from approximately 43.8bn.ecus over the 1988-93 period to over 141bn. ecus reflects the raised profile of EU regional policy in the 1990s.

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[4] These represent the contribution of ERDF assistance as part of a regional development role, to the establishment of trans-European networks in the areas of transport, telecommunications and energy infrastructures as well as to the establishment of more favourable environmental conditions particularly in the Objective 1 regions.

Allen (1996: 250) makes the point that member states approached the TEU in much the same way as they had the Single European Act in that they detached agreement on objectives from the exact detail of how these should be financed and implemented. He goes on to argue that the Protocol on economic and social cohesion annexed to the TEU recorded 'a desire for greater flexibility in the arrangements for allocation of the structural funds', a proposal 'to take greater account of the relative prosperity of member states' and a desire for 'modulation of the levels of Community participation in programmes and projects in certain countries'. For Allen, these statements suggested a willingness to devote an enhanced share of the structural funds to the poorer states (via the Cohesion Fund). But the increased emphasis on flexibility implied less emphasis on the principle of additionality, on the part of the member states, as will be made clear when the subsequent negotiations are discussed later in the chapter. Agreement was also reached as to how the structural funds would be allocated between the various objectives previously set out by the Commission in the 1988 reforms (see **Box 6.1**)

Box 6.1
Box 6.1. Structural fund objectives

1993-1999

* *Objective One:* promoting the development of 'less-developed' regions (ERDF, ESF and EAGGF (Guidance Section)

* *Objective 2:* converting regions seriously affected by industrial decline (ERDF and ESF)

* *Objective 3:* combating long-term unemployment and promoting entry into the labour market (ESF)

* *Objective 4:* facilitating the adaptation of workers to industrial change

* *Objective 5(a):* accelerating the adjustment of agriculture and fisheries structures (EAGGF, Guidance Section, FIFG

* *Objective 5 (b):* promoting rural development and structural adjustment (EAGGF, Guidance Section), ESF, ERDF

* *Objective 6:* developing sparsely populated Nordic areas (ERDF, ESF, EAGGF, Guidance section

Source Commission of the European Communities (1993)

Agreement on the share to be received by each member state was an essential prerequisite to agreeing the implementing regulations. Member states were anxious to establish what their individual shares would be. The rough division of the Cohesion Fund up to 1996 in Annexe 3 of the Edinburgh communique suggested that Spain would receive between 52 and 58 per cent, Greece and Portugal between 16 and 20 per cent, and Ireland between 7 and 10 per cent. Despite the fact that Accession treaties had not been signed, specific allocations of structural funds were set aside for Austria, Finland and Sweden at this stage, when decisions on the budget envelope were being made. It was not clear at this stage which regions would be eligible for the funds: 'a decision on how the prize would be divided up between member states was left for another day' (Peterson and Bomberg 1999: 229).

Redistributive issues had yet to be settled, with member states as ever pressing their competing claims for a share of the spoils. In other words, they were anxious to find out what was in it for them. This was one of the reasons why structural spending emerged as high politics at both the Maastricht and Edinburgh summits. Intense and very public bargaining took place prior to the adoption of the new reforms in 1993. Spanish demands for a national cohesion fund for states with a per capita GNP of less than 90 per cent of the Community average provided that country with both a disproportionate share of the funding, and willing allies in Ireland and Portugal to help promote the measure. It was agreed at the Edinburgh Council that the Cohesion Fund provided for in the Maastricht Treaty would be set up with an allocation of 15.15bn. ecu over a seven year period (1993–1999). Spain, Ireland, Greece and Portugal were to be the beneficiaries, and the Fund provided financial support for projects in two specific areas. The first was environmental protection, to ensure that the four member states in question were better equipped to comply with EU environmental policies. The second was transport infrastructure, considered vital for the completion of the trans-European networks (TENS) and the single market.

As in 1988, the poorer countries had argued that they were entitled to receive funding as a side-payment in exchange for their agreement to market integration and monetary union - initiatives which would arguably leave them in a vulnerable economic position. Disparities in GDP per capita of member state level had narrowed slightly over the 1980s, but a

Commission study of the possible distributional effects of EMU had concluded that the likely overall effects on the Community's regions were not clear cut.[5]

The intense economic bargaining which took place at Maastricht was only to be the starting point for negotiations among member states in relation to EMU, the creation of a central bank and Community social policy. In regional policy the Treaty, although it described the new Cohesion Fund, barely set the parameters for negotiation. Despite calling for thorough evaluation and operation and effectiveness of the structural funds, it provided 'minimal substantive guidance to the Commission on the task of institutional restructuring' (Marks 1993: 394). This is the point reinforced by Allen (1996:250) that member states had detached agreement on objectives from the exact detail of how these should be financed and implemented. This situation, taken together with severe *intra*-state difficulties (adverse public opinion, party political opposition to EMU etc.) being experienced by member states such as Denmark, France and the UK as they struggled to ratify the TEU, represented a change in the bargaining context at EU level. Where previously technocratic planning among bureaucrats, behind-the-scenes accommodation, and elite-driven bargains by ministers might have been the order of the day, national leaders post-Maastricht had to conduct their EU business in the full glare of the media spotlight. The atmosphere surrounding these agreements was highly politicised and member states had to be seen as being in control of EU regional policy: it was the product of their collective decisions.

The basic elements of the structural funds remained unchanged from 1988. These continued to be:
- The European Regional Development Fund (ERDF)
- The European Social Fund (ESF)
- The European Agricultural Guidance and Guarantee Fund (EAGGF)

An additional fourth instrument, the Financial Instrument for Fisheries Guidance (FIFG) was established in 1993. The importance of the funds is reflected in the fact that by the late 1990s these four funds reached an overall total of more than 27 billion ecu. In other words, they accounted for 35 per cent of the EU's total expenditure.

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[5] For details of the argument that the Cohesion Fund was the price member states paid for EMU, see Peterson and Bomberg (1999: 228-229).

The implementing regulations stipulate the overall design of the structural funds, how they will operate and the roles of various actors in the process. Members states' individual shares are contained below (see **Box 6.2**)

Box 6.2 Total percentage allocation of structural funds by member state 1993-1999	
Member state	
Austria	1.04
Belgium	1.31
Denmark	0.54
Finland	1.09
France	9.65
Germany	14.12
Greece	10.12
Ireland	4.07
Italy	14.29
Luxembourg	0.06
Netherlands	1.59
Portugal	10.12
Spain	22.91
Sweden	0.85
United Kingdom	8.26
Source Bache (1998:85)	

6. 2 The Commission's 1993 proposals for reform

The original proposals

The decisions having been made on 'who got what', it was then the task of the Commission to propose how they got it. In terms of how the monies were to be spent, the Delors II budgetary perspectives for 1993-1999 were adopted at the Edinburgh European Council in 1992 and the Commission, still convinced that only minor adaptations would be needed [to the funds] (Commission of the European Communities 1992) and with minimal guidance from, to say the least, an imprecise Treaty (Maastricht), submitted proposals early

in 1993 for the new fund regulations (Commission of the European Communities 1993a). Several limited changes were proposed to the funds, (see **Box 6.3**)

Box 6.3
Structural funds Objectives 1993-1999

- Criteria for Objective 1 regions (a per capita GNP of less than 75 per cent of the Community average) would remain the same, but several regions below or near the 75 per cent would be added to the list, most notably Merseyside and Highlands and Islands in the UK, the Hainut in Belgium, Cantabria in Spain, and East Berlin and the five new Lander in Germany

- Objectives 3 and 4 would undergo a substantive change of focus, in keeping with the new social objectives set out in the Maastricht Treaty. Specifically, the old Objectives 3 and 4, which dealt with long-term unemployment and youth employment respectively would be collapsed into a new Objective 3; while a new Objective 4 intended to address adaptation to industrial change would be added

- The Commission proposed a new financial instrument for the fisheries sector, which would operate under Objectives 2 and 5(b) (declining industrial regions and rural development respectively. Objectives 2 and 5(b) themselves would remain in essence unchanged)

With a budget of 141 billion ecu for the period 1994-99 (in other words a third of the total Community budget) the structural funds were the favoured instrument of the policy of economic and social cohesion that gave expression to intra-Community solidarity (Commission of the European Communities 1993b). The effectiveness of the funds depended mainly on the quality and relevance of the measures undertaken, as well as the capacity of member states, regions and other potential beneficiaries to implement them.

In similar vein, the Commission proposed to retain the four basic principles of the 1988 reforms, while proposing slight changes to each (Commission of the European Communities 1993a: 6). The rationale was that, in terms of each objective:

> the Commission and member states concerned shall ensure that the member state maintains, in the whole of the territory concerned, its public structural or comparable assistance at least at the same level as in the previous programming period taking into account, however, the macroeconomic circumstances in which the funding takes place including the implementation of convergence programmes [for EMU].

The major principles for the division and allocation of funds adopted in 1988 were largely maintained or strengthened (see **Box 6.4** over).

Box 6.4
Amendments to structural funds basic principles

- *Concentration* of the resources of the funds on the neediest areas. the agreement of the Edinburgh European Council promised the Cohesion Four a doubling of their receipts from the structural and cohesion funds combined. Within the structural funds themselves, the percentage of funds channelled into Objective 1 regions would increase from 63 per cent to 70 per cent by 1999.

- *Partnership* provisions would be altered only slightly in that the social partners, as selected by member states, could participate in the design and implementation of the funds in partnership with the Commission, the regions and the member states

- *Programming* had become the subject of member state complaints. The Commission's response proposed a simplification of the planning procedure which would reduce the existing three-stage plan to two stages, by allowing member states to submit their national development plans *and* their applications for Operational programmes within a single document.

- *Additionality* provisions would, contrary to the 1988 regulations, specify both the criterion for meeting additionality requirements and the obligations of the member states in this respect.

Member states also had to provide the financial information needed to verify additionality when submitting plans and to continue to do this regularly during the implementation of Community Support frameworks. In future the rules for verifying additionality would be included in the individual CSFs. Match funding requirements in respect of ERDF remained substantially unchanged. Projects undertaken under Objectives 2, 3, 4 and 5b would receive an EU contribution of not more than 50 per cent of the cost, while those projects qualifying for assistance under Objective 1 would receive not more than 75 per cent of the total cost. This proposal in particular might be perceived as an attempt on the part of the Commission to pin member states down to complying with their additionality commitments, as the chapter now illustrates.

Many of these proposals were intended to address the concerns of member states with the operation of the 1988 fund regulations, expressed in the *Conclusions* of the Maastricht Treaty and the Edinburgh European Council. Of all the structural funds' basic principles, additionality in particular had long been a bone of contention between the Commission and member states. In the 1988 reforms, the Commission had succeeded in making the member states pay more heed to the principle. Battles which ensued, particularly over the RECHAR initiative, between the Commission and some member states, the UK government in particular, have been widely documented (see MacAleavey 1995; Bache 1998), and only a brief outline follows.

The Commission had been supported in the contest with member states over additionality by the association of local and regional authorities in the mining areas of the Community (ACOM). This body's secretariat was provided by the 'coalfield communities campaign' (CCC), an association of around 80 local authorities in UK mining areas. The RECHAR initiative was first launched at the annual conference of the CCC on 3 September 1989, by then Regional Commissioner Bruce Millan:

> The initiative was aimed at alleviating the socio-economic impact of pit closures in the member states. The essential goal was to strengthen the efforts intended to create new economic activities likely to supply jobs for miners in the coalfields, as well as to improve the physical and social environment
>
> McAleavey (1992: 28).[6]

Not all of the issues raised by the RECHAR dispute are clear cut. It should be noted, for example, that not all local authority officials/politicians subscribed to the principles which motivated the coalfields' campaign. One of the Convention of Scottish Local Authorities' officials at the time took the view that campaigns such as these and others (for example, those conducted by the fishing industry) undermined the ability of the UK to speak with one voice in Europe: 'It [the coalfields]' campaign undermined their whole position'.[7] In a

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[6] McAleavey offers a fully comprehensive account of problems which arose in relation to RECHAR, and the Commission's dissatisfaction with the way that the funds and capital allocations were distributed to local authorities in the UK. Full details of the Commission's blocking of the UK's 120 million pound bid and the UK government's subsequent backing down in response to pressure from the Commission from above and sub-national authorities from below may be found in McAleavey (1992: 28-35).

[7] Interview with ex-local authority official, 11 February 1998.

small but interesting addendum some nine years after the event, the then Vice Convenor of Highlands and Islands region offered the fact that he had been lobbying Commissioner Millan at the time for Objective 1 status for his area. This official states that the Commissioner maintained that he could not agree the area's designation unless the UK government settled the RECHAR dispute. The Conservative government eventually did so and, according to this official, saw it as something of a pre-electoral coup to fill the employment gap in the central belt in Scotland and to win votes in the Highlands and Islands at the same time. But, as the Vice Convenor summed it up: 'It didn't quite work out that way. There were no Conservatives left in Scotland. They all lost their seats [at the 1992 election]. Pity after all that effort'.[8] When viewed from this perspective, the episode may be interpreted as one in which the UK national government appeared to be backing down, but was in fact pursuing its own agenda.

Overall, so far as sub-national authorities are concerned, Commission-controlled policy initiatives, such as the twelve Community Initiatives (CIs), have been highly effective mobilizing tools (Hooghe and Keating 1994: 383). But the promotion of technological research and development and innovation in disadvantaged areas (STRIDE), urban planning pilot projects and RECHAR, discussed above, accounted for only 10 per cent of the Structural Fund Budget. The other 90 per cent went to finance measures proposed by the *member states* under the Community Support Frameworks (CSFs). These were devised in partnership by the member states, the Commission and sub-national authorities designated by the member states. Only in the case of the CIs could the Commission, with or without the cooperation of sub-national authorities, present member governments with a given sum of Community funding, for a given purpose, on a 'take it or leave it' basis (Pollack 1995: 375). The Commission decided on its own about the content and timing of these initiatives, which enabled it to select who was going to be mobilized and how.

It has been argued that RECHAR is the best example of the Commission working with local authorities, designing programmes targeted specifically at member governments, in an attempt to change the policies of those governments. It must be stressed that such initiatives were not typical of most Community regional policy activities. But member states such as the UK saw this exercise as 'muscle flexing' on the part of the Commission.

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[8] Interview with ex-regional council official, 25 March 1998.

For one official, such very public confrontation, concentrated the minds of some member states (among them the UK and Spain) that only very close definition of concepts such as partnership and additionality would serve to enable them, the member state governments, to retain control of the Community regional policy-making process in future.[9]

Negotiations over the 1993 reform proposals

Member states, the European Parliament and the Court of Auditors had already expressed more general concerns with regard to the 1988 fund regulations in the *Conclusions* of the Maastricht Treaty and in those of the Edinburgh European Council in 1992.[10] In the run-up to the Maastricht summit, Felipe Gonzales had fought tenaciously to win a greater commitment to cohesion. Article 161 stipulated that the Council, acting unanimously on a proposal from the European Commission, and with the assent of the European Parliament, would set up a Cohesion Fund. The unanimous decision in 1992 to establish the Cohesion Fund was a prize given to poorer member states in return for their endorsement of further enlargement, integration and the acceptance of the Danish opt-outs from the Maastricht Treaty (Peterson and Bomberg 1999).[11] In 1992, the Commission presented its proposed 'Delors II' budgetary package for 1993-1997. Structural funds operations were to be improved by means of actions such as closer monitoring, and increased spending for Objective 1 regions. But member states' concerns were not alleviated by the Commission's proposals for reform. The proposals did not go far enough for the member states, who 'proceeded to change the substance of the Commission's proposals in several non-trivial ways to respond to concerns about the distribution of the funds, efficiency, and member state control of the funds' operation' (Pollack 1995: 381). These changes involved mainly redistributive issues such as the designation of Objective 1 areas, and the overall distribution of the funds among member states (see Nugent 1994). Allen (1996: 250) argues that the Commission, in its original proposals, had attempted to impose consistent geographical and functional criteria on the management of the funds, and in that way to concentrate spending on only the most needy regions and states. But the attempt sparked off a bout of what could only be described as haggling among member states.

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[9] Interview with ex-official of the Commission, 18 March 1998.

[10] For a full discussion of these concerns see Yuill *et al.* (1993)

[11] For full details of intergovernmental negotiations in respect of the Cohesion Fund, see Peterson and Bomberg (1999: 227-229).

In brief, while the UK and Belgium were eminently satisfied with the addition of their regions to the Objective 1 list, the French feared that the Nord Pas de Calais might lose out and be subject to unfair competition from the Belgian Hainut region. The Dutch, not to be outdone, wanted the inclusion of Flevoland, and the Italians demanded continuation of Objective 1 status for Abruzzi. The outcome was that each of these claims was satisfied. There was conflict too over the distribution of funds among the member states, and they demanded more information as to how these were allocated. The framework regulation adopted under Article 130d of the TEU needed a unanimous vote in the Council. Ireland, for one, was not prepared to sign up to the package unless guaranteed 13.5 per cent of the structural funds - approximately 8 billion Irish pounds. Only a last-minute intervention by Commission President Jacques Delors, and the offer of 7.8 billion Irish pounds (equivalent very approximately to 5.5 bn. euros today) made it possible for the package to be unanimously adopted on 19-20 July 1993 (Peterson and Bomberg 1999: 227-229). Honour having been satisfied in the area of the division of the funds, the member states turned their attention to other matters.

A number of administrative changes were also made by the Council of Ministers, which had the effect of increasing the extent of member state control over the implementation of the funds. First, the wording of the Article to associate the Commission with the process of evaluation and appraisal was changed to emphasise Commission responsibility for these processes. This action clearly reflected the member states' concern to ensure rigorous evaluation. Second, the Commission's autonomy in selection of Objective 2 areas was curbed. The proposed version of Article 9 allowed the Commission simply to draw up a list of Objective 2 regions. In the revised version, close consultation with the member state concerned was required, and the Commission was restricted to choosing from a list proposed by each member state. Third, significantly, the wording used by the Commission in respect of additionality was changed to include a range of national contingencies which could be taken account of by member states: 'a number of specific economic circumstances, namely privatisations, an unusual level of public structural spending undertaken in the previous programming period and business cycles in the national economy' (Council of the European Communities 1993: 23). This was the 'flexibility' national governments had sought when they signed up to the Maastricht agreements. The fact that member governments were permitted to take these contingencies, as well as

broader supranational concerns such as macro-economic circumstances and convergence policy into account when matters relating to additionality arose, suggested a loosening of the strings binding member states to maintaining structural fund expenditure. Commission allegations of violation of the additionality principle, as in the case of RECHAR would, in future, become less feasible.

Fourth, member states amended the Commission's proposal in respect of Community Initiatives (CIs). Allocation for these was to be reduced from 10 per cent to 9 per cent of the total structural fund budget, thus decreasing the amount of resources under direct control of the Commission. In addition, a new Article 29a created a Management Committee, which could either approve or reject CIs by a qualified majority. The existence of such a committee severely restricted the Commission's ability to deviate from the wishes of the member states, without risking having its decision overturned by the Council.

Finally, the Commission also had to incorporate some amendments recommended by the European Parliament. These amendments included one that the Commission should not only notify the European Parliament (EP) before the final adoption of CIs, but also furnish that institution with regular information about national development plans, the Community Support frameworks, and the implementation of other funds. CIs adopted for the period 1994-99 under the new fund regulations would be subject to extensive consultations with the member states, the EP, and other actors seeking involvement such as sub-national actors and the social partners. A Green Paper published on the future of CIs in June 1993 nominated five areas of priority concentration: cross-border and inter-regional co-operation, rural development, outermost regions, employment and vocational training. The document was not an official proposal but a discussion paper on future Community Initiatives. The five topics it suggested were transnational and inter-regional co-operation; rural development; assistance to outermost regions; development of human resources; and management of industrial change. The list was modified, after consultation with member states and the European Parliament, to include new initiatives on urban problems (URBAN), on fishing (PESCA) and on an aid programme for the Portuguese textiles industry (Commission of the European Communities 1994). The new Management Committee approved the revised proposals, and these were formally adopted by the Commission in June 1994.

6. 3 Perspectives on the 1993 reforms

A state-centric perspective

The 1993 reform of the structural funds has been interpreted from different perspectives. A state-centric version would assume that central governments continue to be the most important actors in the EU, and decisions are made as a result of bargaining among these governments (see Moravcsik 1991; 1993; 1995). European institutions are accorded only a limited significance, their main purpose being to facilitate intergovernmental bargaining by reducing transaction costs (Moravcsik 1993). Sub-national actors, for their part, are seen as being side-lined in the EU decision-making process. Where they do participate, they are held in check by central governments acting as 'gate-keepers', even in the EU regional policy sector, the one which most directly concerns them (see Anderson 1990; Bache 1998; 1999).

From this perspective, the 1993 reforms represent a re-nationalization of the policy sector, and the re-assertion of central governments' control over the operationalizing of policy (Pollack 1995: 384). Mark Pollack concedes that, for Community Initiatives at least, the agenda-setting power of the Commission was considerable. It both drew up and stated the conditions for eligibility for these programmes. But he adds a caveat to the effect that these initiatives were not typical of how structural funds were, on the whole, administered. For Pollack, the Commission's promotion of such initiatives (which from 1993 took up only 9 per cent of the total budget) represents insufficient evidence to support assertions of large-scale by-passing or 'outflanking' of central governments on the part of the Commission or sub-national authorities. With the focus firmly fixed on the political (national governments and their decision-making processes) the 1993 reform process then led many commentators to conclude that the influence of the Commission was severely curtailed by the pro-active stance adopted by member states, and that this development would have the effect of reversing the Commission's perceived ambitions to mobilise sub-national actors.

The Commission perspective

A shift of focus, however, from member states, decision-making, and the political onto the Commission, sub-national actors and the policy, produces a slightly different picture. The

rationale behind the Commission's proposed reform of the structural funds in 1993 might have, to say the least, been misinterpreted by some commentators.[12] The attitude adopted by the Commission, and DG Regional Policy in particular, is possibly best understood in light of the analysis offered by one of the most senior officials within these organisations between 1988 and 1993. It was his view that, prior to the 1988 reforms, monies from the Community quota were simply being given to companies as a substitute for funding already being received from national government. There was no real additionality, and no attempt to create a strategic framework. All bargaining at European level took place between the Commission and member state governments. In domestic terms, the initiation of changes in designated or assisted areas was basically instigated by national governments, with little or no consultation with local actors or anyone else. The Commission's main aim in respect of member states from 1988 is understood to have been to remedy this situation and to persuade national governments, by means of the structural fund basic principles, to build on an EU policy that would best alleviate regional disparities. The original proposals for the 1993 structural funds reflect the ways in which the DG Regional Policy thought this might be achieved.

First, the Commission wanted assistance to be concentrated on areas designated as being most in need: it wanted regional and local authorities, and other interested actors such as the voluntary sector, to be involved in the designation of these areas. Second, the reinforced partnership principle was intended, by DG Regional Policy, as a means of persuading member states to have some sort of regional/sub-national structure. Such a structure was crucial, in the view of the Commission, to implementation of the third principle, programming. Programmes for structural assistance needed to be put forward on a much more planned, strategic basis. The fourth principle, additionality, was intended to define more closely the criteria for meeting additionality requirements. It was meant to make it more difficult for member states to avoid their structural expenditure commitments, as had repeatedly happened, under successive governments in the UK.

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[12] Some commentators argued that regional and local actors used partnership to challenge their national governments (see McAleavey 1993; Ansell *et al.* 1997). The allegation that partnership incited rivalry between national and sub-national rivals has been refuted (interview with then Regional Commissioner, 18 March 1998) but it is fair to say that that more than one senior regional official in the UK saw the Commission in this instance as championing the local/regional cause (interviews with ex-official of Strathclyde region, 4 February 1998 and with ex-official, Highlands and Islands region, 11 February 1998).

In 1993, the Commission was in favour of 'toughening up' the structural fund regulations in respect of partnership because, although the principle was widely discussed, its implementation varied considerably from one member state to another. Some partnerships were genuine, in other cases member states largely ignored what was being said locally. The Commission, therefore, had decided to try to have the inclusion of local and other authorities inserted in the framework regulations. Article 4 of the 1993 framework regulations was designed to get not just local authorities and business interests, but trades unions too, involved. That is to say, as wide a range of actors and interests as possible.

A series of special meetings in respect of Article 4 took place, attended by members of the European Commission, the European Parliament and the Council of Ministers. Two of the member states in particular, Spain and the UK, were fiercely opposed to the drafting: the former because it was engaged in an internal dispute with its trades' unions,[13] the latter because it was opposed in principle to the composition of the partnerships being extended at all. The final wording which appears in Article 4 says that inclusion of the economic and social partners would take place: 'within the framework of each Member State's national rules and current practices' (Council of the European Communities 1993). In other words, the new framework regulations did not mean that the economic and social partners participated as of right: they only participated if and when selected by central government.

Regional Policy Commissioner Millan could not get the Council of Ministers to be more definite in respect of the wording of Article 4, and the EU institutions decided that the only way to break the deadlock was to accommodate the UK government (the chief protagonist) in the matter of the wording.[14] These were Council regulations, which had to have Council agreement, and that was the only way in which it could be secured. Partnership was not as well provided for as the Commission would have liked. The framing of the policy did, however, offer a wider range of options as potential partners, from which member states

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[13] A precondition for participation in the third stage of EMU and for the receipt of monies from the cohesion fund was the presentation of a Convergence Plan. Among the social sacrifices deemed necessary for achieving Spanish membership of the EMU were the reduction of public debts (by reduction of the size and range of Spanish public enterprises); reduction of the public sector deficit by cutting social expenditure and the privitization of some services. The Spanish government's subsequent proposals for reform of the basic institution regulating the labour market (the Workers' statute) not surprisingly was met with some hostility from the trades' unions (Closa 1995: 297).

[14] Interview with ex-Regional Commissioner, 18 March 1998.

might choose. For example, the 1993 Regulations provide for: 'the **extension of partnership to the "competent authorities and bodies** – including, within the framework of each Member State's national rules and current practices, the **economic and social partner, designated by the Member State"** (COM 1993b: 10).

Programming

DG Regional Policy was very aware of the importance of programming as a means of getting sub-national authorities involved. Plans had to be produced before any monies could be secured from the structural funds. The process required the drawing up of documents and programmes, and this exercise necessitated contact between central government and its departments, and regional and local actors. Finally, a statutory economic instrument designating assistance to the area and the priorities for the use of the funds had to be drawn up. The Commission's point was that iterated contact facilitated by this process made a considerable impact, not only in the UK but elsewhere. It meant that countries like Greece and Portugal had, for the first time, these economic five-year plans.

Programming was important economically, but it was also important politically, structurally and regionally as well. The Greek and Portuguese programmes were offered by ex-Commissioner Millan as evidence that, even in countries without a regional government to support the programmes, programming, as they put it, 'gave a regional aspect to things'.[15] Ireland and Spain too were quoted as examples of countries where a system had been adopted whereby they allocated the funds from the centre to the different regions, influenced by the money coming from Europe.[16] In a developing situation in the EU, this process added emphasis to the role of the regions but as participants in policy-making, in how policies were designed. Theirs was intended to be an implementation input, not a political one. This was how they were mobilised.

6. 4 The framing of EU regional policy and sub-national mobilization

The Commission framed EU regional policy, that is to say laid out its 1993 reformed

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[15] Programming drew attention to the need for regional structures in order to deliver EU regional policy more effectively and efficiently. As a result, Greece created a regional tier of government in the 1990s and Portugal granted autonomy to the Azores and Madeira.

[16] Interviews with Commission officials, 19 June 2001(a); 19 June 2001(b).

framework regulations, with the intention of building upon and strengthening the basic principles of the structural funds. Its intention was to involve as many actors as possible, on the ground, in the economic and social development of regions, in an attempt to alleviate the disparities between them. At the same time the Commission took steps to institutionalise regional participation, one of its longer term goals. Urged on by Germany and Belgium who were being pressurised by the Lander and the Belgian regions, it proposed the establishment of a new EU institution, namely the Committee of the Regions which, however imperfect, would provide an opportunity for regional and local representatives to be involved, albeit in an advisory capacity, in decisions on EU policy-making.[17]

In other words, from 1988 onwards, by means of the structural funds' basic principles, the Commission had tried to persuade member states to have some kind of regional/sub-national structure to assist in policy delivery. The Commission aimed to frame EU regional policy in line with its ideas on regional development strategy and working in partnership. But responses from within DG Regional Policy at the time indicated that what was taking place was not, in institutional terms, a case of 'Europe' dictating to the national governments how they divide their country up, or how they should divide themselves regionally.[18]

The 1988 reform of the structural funds had confirmed the region as the key organising principle in EU regional policy. The Commission, the member states and regional/local actors were committed to close, wide-ranging and permanent collaborative relationships. These involved funding, organisation, co-ordination, information and planning, as well as the harmonising of legislative and administrative competencies: 'Working procedures such as partnerships institutionalized regional involvement' (Hooghe and Keating 1994: 376). States such as Greece had been obliged to establish a regional tier of government, whilst Portugal had had to grant some form of autonomy to the Azores. But the Commission had not limited itself to regional authorities alone: many initiatives had been aimed at involving local authorities in the policy-making process, as evidenced by RECHAR. While the trend

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[17] Details of some of the difficulties encountered by the UK delegation's first delegation to the CoR are contained in interviews with ex-CoR Scottish members conducted on 4 February 1998; 5 February 1998; 11 February 1998; 12 February 1998; 25 March 1998.

[18] For a discussion of the Commission's interaction with regional and local actors in the mid 1990s, see McAleavey (1995: 28-34)

throughout the early 1990s is not in dispute, it may be argued that this interaction was sought by the European Commission for technocratic reasons related to policy effectiveness, and not as an attempt to encourage the political mobilisation of regional institutions against their national governments.[19]

One Commission official, heavily involved in DG Social Policy at the time, has described sub-national mobilization as being much broader than a political process, and more important.[20] For this policy designer the process was concerned with incorporating a range of actors who might be mobilised to assist the growth of the 'social economy' at sub-national level. That is to say the growth of the idea that an alternative economy exists at this level, just as significant, just as capable of producing benefits, employment and economic progress as its counterparts at the macro-level. But this phenomenon was and is very often to be found in the voluntary sector.

The Commission was interested in developing the idea that a powerful economy could be built not just on the conventional assets of business and local development, but specifically on development in the third sector, that is to say, development of credit unions, organisations that deal with unemployment and poverty, but from a very broad perspective. These were problems which had to be resolved locally. The social economy was important and was regarded as an important component in the drive for effectiveness in respect of EU regional policy. Sub-national mobilization was a goal which might be achieved by means of policy ideas and instruments based on social inclusion. Such policy ideas formed an important part of the normative context within which EU regional policy was being framed. But the same official also pointed out that many of the innovative policy ideas the Commission was working on went virtually unnoticed as speculation about a 'Europe of the Regions' took centre stage. The policy content was being subsumed by the political and who made the decisions about what.

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[19] It must be pointed out here that this is not how the Commission's actions have been interpreted by some commentators in relation to the UK, where the Commissioner was seen as a disruptive influence. UK local authorities were accused of calling on the Commission's support in resisting the Conservative government's centralization policy, and Commissioner Millan was accused of being happy to oblige by disputing the UK government's authority to cap local authority spending on regional development, (see McAleavey 1993; Hooghe and Marks 2001: 107).

[20] Interview with Commission official, 13 Feb. 2001.

A great deal has been written and said about the Commission President, Jacques Delors, who oversaw the 1988 and 1993 reforms of the structural funds, and the Delors phenomenon, the apparent politicisation of the Commission presidency, has been variously conceptualised by theorists and commentators. Explanations that the phenomenon was none other than the combination of a 'strong' personality with political acumen, political capital and credibility and a vacuum of institutional power at the centre of the Union, have been offered by commentators such as Endo (1999). For others, the lasting impact on the presidency made by Delors is to have built the post into a 'high-profile and potentially very powerful position within the Commission system itself and also, more broadly, in the EU system as a whole' (Nugent 2001: 80).

In the broader perspective of the EU's historical development, one of the effects of placing the Commission presidency in the hands of Delors was to demonstrate the influence a President can have over 'his' institution to the extent of infusing it with its original intention of acting as a 'bureaucracy with a mission' (Cram 1999). In investigations of the 'Europeanisation' of the national government and politics of the member states, Delors has been viewed as carrying on a tradition of transferring and adapting new ideas into the national political culture: ideas which are frequently seen to challenge established political culture and practice (Ross 1994: 40; Grant 1994: 241-242; Drake 2001: 2).

Small wonder then that the flagship policy for economic and social cohesion the President espoused should be regarded by many academic commentators as a political project and treated as such. But to concentrate solely on the intergovernmental bargaining and negotiations surrounding the 1993 reform of the structural funds - on the 'winners' and 'losers' in this process - is to neglect other actors in the EU regional policy sector, namely those at regional/local level. Concentration on the role of the Commission as high-level/autonomous policy entrepreneur does not explain the link between the Commission and sub-national mobilization. That needs to be sought elsewhere, namely in the role of the Commission in the formulation and design – the framing – of the policy.

Implementation of the partnership principle had been a major internal issue among Commission services involved in structural programming since 1988. The DG for the Co-

ordination of Structural Policies had been set up by Jacques Delors, and took responsibility for the co-ordination of the structural funds and the supervision of their implementation:

> It wanted to maximise sub-national input in structural programming and, in the long run, to encourage a European-wide system of territorial relations where sub-national authorities from Germany to Greece were assured an influential role
>
> (Hooghe 2000: 95)

DG Regional Policy, on the other hand, wanted a more flexible approach, that is to say the Commission would promote sub-national involvement, but this could not and should not necessarily happen at the same speed or in the same way throughout the Union. Hooghe's point, that the coalition of Commission actors favouring an integrationist concept of EU regional policy lost out to a coalition championing a more flexible, decentralised policy, is supported by a key sub-national actor and active participant in EU regional policy-making at the time.[21] The original designers of the 1988 reform of the structural funds, the DG for the Co-ordination of structural Policies, was heavily involved in the negotiations surrounding the package.[22] But by 1992, DG Regional Policy had regained the initiative, by:

> exploiting its hold on the purse, by relying on contacts with national and regional authorities, and by using its relative autonomy in policy direction, administrative organisation and personnel policy to restructure on its own terms
>
> (Hooghe 2000: 97).

The existing political rules of the game in the Commission had turned against the original drafters of EU regional policy. But to what effect?

The Commission had always been a small organisation, with limited resources and yet it still wanted to expand its activity, particularly with sub-national actors. The battle between those in the Commission, such as Jacques Delors, with a desire that it go down in history as a visionary institution, and those officials on the ground who recognised that a pragmatic and flexible approach to policy involvement might best serve the interests of Europe's

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[21] Interview with ex-regional council official, 5 February 1998.

[22] Hooghe and Marks (2001) take the view that the original designers were proponents of regulated capitalism who argued that redistributive policies could be justified on pragmatic grounds because they empowered weaker actors to compete in the market and because ongoing collaboration among public and private actors was likely to reduce social conflict and enhance mutual learning. The cohesive/ integrationist dimension would become apparent as the potential for economic growth was increased in lagging regions by improving economic infrastructure and building co-operation between public and private actors at the European, national, and sub-national levels.

citizens at a local/regional level, had been engaged but not won. The policy continued to be in danger of being subsumed by politics, not only intergovernmental but also *inter* and *intra*-institutional.

Conclusions

The virtual doubling of the structural funds in 1988 politicised the problem of regional disparities and how these might best be reduced simply because there was so much money at issue. The Single Market had finally become a reality and structural funds played an important part in its realisation. Since 1990, policy drafters in the Commission had been struggling to put social policy back to a central position in relation to economic policy. It was felt that, by the mid 1990s, with the broadening of the partnership base to include the voluntary sector, that process was really beginning to happen. From a Commission perspective, it was a genuine attempt to show that, as economic policy gathered strength, more attention had to be built into human resources. But the high political profile adopted by Commission President Delors at the time of the 1988 reforms was beginning to diminish by 1992. Many of the policy pragmatists in DG Regional Policy did not share in his visionary approach to the future of Europe: they were aware that his continued promotion of sub-national involvement in the policy process might antagonise some member states such as the UK, and be perceived by them as a threat to their already diminishing competencies.

In the event, what emerged in the wake of the 1988 reform of the structural funds was a complex picture, in which sub-national authorities became direct participants in the policy process and the Commission increased its influence over the priorities and implementation of the funds (Sutcliffe 2000: 296). From a state-centric perspective, however, member states continued to remain central to the policy-making process. The Commission's original proposals did not go far enough for some of the partner governments, and they changed the substance of those proposals quite considerably to respond to their own concerns about the distribution of the funds, efficiency and member state control of the implementation process. These negotiations took place in a highly politicised atmosphere, and each proposal was examined in minute detail by national governments before being subjected to change.

Such developments led some commentators to conclude that the influence of the

Commission was being severely curtailed by the pro-active stance being adopted by the member states, and that this would have the effect of reversing the Commission's ambitions to mobilise sub-national actors (Pollack 1995: 383-383; Bache 1998: 127-130). Both of these key sets of players would once more be marginalized. Because structural fund allocation represented only one per cent of the Community's Gross Domestic Product in 1992, weaker regions remained largely dependent on member states for the re-distribution of available resources. This situation meant that, in terms of finance and policy-making, the main focus for sub-national actors still had to be the domestic level. Change in the partnership provisions had likewise been limited. Under the 1993 reforms, and despite the fact that the range of potential sub-national partner organisations was wider than ever before, central governments were not obliged to involve sub-national actors in partnership working, and the choice of those sub-national actors who could participate in the policy process was left to the discretion of member states. National governments would continue to police the gateway between the sub-national and the European arenas of policy decision-making.

Other theorists have taken the view that such a straightforward intergovernmentalist approach lacks finesse as an analytical tool in explaining events and their outcomes in a complex decision-making structure like the EU. The multi-level governance model, for example, does take full cognisance of the Commission *and* sub-national actors as key players. It emphasises the link between the role of the Commission and the activity known as sub-national mobilization and concentrates on the shifting of decisional powers upwards or downwards, but always away from the nation state. But this emphasis on the overall direction and control of valued resources implicit in the very term governance (defined in Chapter 2.3) has a tendency to divert attention from the multitude of factors such as ideas, knowledge and experience which iterated contact with key players in the partnerships had over time fostered in regional/local actors who had got involved from 1988. The link is not that EU regional policy allocates competencies to these actors: in many member states it did not. National governments were merely required to develop regional structures for the delivery of policy: they were not required to 'empower' sub-national actors. The expectations, on the part of some theorists, that the 1988 reforms would lead to a rise of a third level of *government* in the EU or a 'Europe of the Regions' were diminished by

developments in 1993. Many of these commentators would, in future, concentrate their deliberations on the notion of governance – an altogether more subtle, more nuanced but arguably much more slippery concept to grasp.

It is argued here that the complex picture which had emerged by 1993 is best explained by utilising the framing approach. The role of the Commission, in relation to policy as the product of decisions of government, is to 'flag up' to member states what it considers to be problematic situations. By 1993, as the Community geared up to face the challenge of future Economic and Monetary Union, the problem was identified by the Commission as the need to improve economic and social cohesion, so that economic convergence might be achieved. Member states agreed with the diagnosis, but not with the remedy contained in the Commission's original proposals. The Commission had to reframe EU regional policy in terms of redistributive issues (such as the designation of Objective 1 areas) and the overall distribution of the funds among member states, because member states were not convinced that the Commission's policy frame promised procedural benefits for them.

However, consideration of policy as a programme reveals that the tried and tested strategy of policy implementation, based on the concept of partnership and promoted by the Commission, survived relatively unscathed. The Commission in the end produced a package of legislation, organisation and resources, designed to achieve political, economic and social goals. This particular frame was acceptable because the member states believed that it met with their publicly-stated normative aspirations in terms of integration and social cohesion, and that it would achieve their collective functional goal at the time, namely the successful completion of Economic and Monetary Union.

The study of policy as outcome gives scholars the opportunity to look at a policy over time, and to assess whether the express purpose of a policy was actually achieved. Policy as outcome helps to fix the focus first on the 1988 reforms of the structural fund when outcomes (such as sub-national mobilization via programming and partnership) were inadvertently sanctioned by member states in a bid to secure efficiency and effectiveness. Later the 1993 reforms saw member states re-visit the problem of regional imbalances because EU regional policy was not bringing about the desired degrees of economic and social cohesion. The mid 1990s was a period of consolidation in which sub-national actors in the game of 'winners' and 'losers' arguably broke little new ground, but lost none of the

ground they had previously gained. The role of the Commission in policy as outcome is the continued operationalizing of the policy by means of the partnership principle, in the framing of the implementation regulations. The inclusion of the economic and social partners in the list of those groups of actors who might have a role in the formulation and design of EU regional policy was crucial. It meant that in those member states where it was considered that the trades unions, the private sector or the voluntary sector had a valuable contribution to make to the formulation and design of programmes, they would in future have a formalised involvement.

What occurred was not an allocation of competencies to these groups or indeed to already existing sub-national authorities or other actors at regional or local level. Such a gesture was and is not in the Commission's gift, nor according to some of the officials involved at the time should it be. The Commission did take on further responsibilities in respect of implementation procedures which, for a small organisation, had the potential to stretch its already limited resources to breaking point and would subsequently lead to accusations that it had 'bitten off more than it could chew' as the succeeding chapter demonstrates. But the framing of the policy at EU level in the normative context of aiming to achieve economic and social cohesion by involving as wide a range of organisations as possible, did mean that in some states new actors were admitted to the policy process.

Chapter 7: *Agenda 2000:* **an enlarged European Union**

Introduction

This chapter focuses on the history-making decisions surrounding the most recent critical juncture in the EU regional policy sector. The 1993 reform of the structural funds had led to speculation regarding the re-assertion of national governmental control over the policy (see Chapter 6), and scepticism about the exact extent and nature of sub-national mobilization activity being engaged in by regional/local actors. Central to the issues addressed here are the key role of the Commission in the policy's development between 1997 and 1999, a period during which the institution incurred fundamental change. The chapter seeks to demonstrate how, despite the challenges it faced, the Commission pursued the creation of enhanced opportunities in *Agenda 2000* for sub-national actors to become involved in the EU policy-making process. It will be argued that the best way of explaining how it contrived to do so is by understanding *Agenda 2000* as a case of policy framing: a package of measures reflecting polity ideas and policy ideas in the European Union.

The *Agenda 2000* reforms represent the culmination of a strategy for enlargement which the EU first approved in June 1993. The European Council, meeting in Essen, confirmed that the associated countries in Central and Eastern Europe that so desired should become members of the European Union (European Council 1994). Between 1995 and 1997 the European Commission prepared and submitted opinions on individual applications for membership of the European Union from, at the time, six countries.[1] The agreed 'structured relations' between candidate countries and the institutions of the Union were put in place as were the Europe Agreements, which built a flexible and dynamic framework for various forms of co-operation. Members of the institutions of the EU then set about the process of developing a range of core normative ideas about the future of the enlarged polity, including an expressed desire to pursue decentralization and to strengthen the Union's democratic legitimacy. In the longer term, their goal was to ensure the lasting peace and stability of the European continent and its neighbouring regions. That said, in true Community tradition it is always advisable for the scholar to 'mind the gap' between political rhetoric and political practice: that dichotomy will be explained in this chapter.

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[1] Applicants were the Czech Republic, Cyprus, Estonia, Hungary, Poland and Slovenia. The Helsinki Council of 10-11 December 1999 would subsequently extend negotiations for accession to include Bulgaria, Latvia, Lithuania, Malta, Romania and Slovakia, as well as giving Turkey official 'candidate' status.

Negotiations on the proposed *Agenda 2000* reform of the structural fund regulations in 1999 took place in a political context very different from the circumstances surrounding the 1988 or 1993 reforms. In 1999, the context was set largely by two urgent concerns – impending economic and monetary union (EMU) and enlargement. These developments had the potential to create problems for the Commission on two fronts. First, member states were about to embark on the most ambitious venture in the EU's history. At the time, six potential new member states, each with low relative wealth compared to that of the EU, sought entry. Structural funds would, it was argued, increasingly have to be re-directed away from existing member states to these poorer ones. National governments, not surprisingly, sought to limit their own anticipated losses, which would come as a result of the switch in emphasis of the funds.

Chapters 3 and 6 have demonstrated how EMU has a history of being linked to enlargement and the structural funds. Pollack (1995) argues that poorer states have consistently used the need for extra resources (to combat the threat of *market integration*) as a bargaining chip to extract a side-payment for their agreement to *monetary integration* from their stronger counterparts such as Germany and France.[2] It is no surprise, therefore, that those poorer states had a particular concern about an increase in their numbers from central and Eastern Europe. The approach of EMU, and the requirements to meet convergence criteria, only added to the pervasive atmosphere of uncertainty, even in those member states already committed to the venture. In states like the UK, where EMU and (for some Eurosceptics sovereignty) remained contentious issues, increased political integration of any sort was viewed with some suspicion.

The central tenets contained within the framing of the 'new look' EU regional policy reflect the polity ideas of the European Council and its enlargement strategy. At the same time, *Agenda 2000* reflects the normative policy ideas distilled and presented by the Commission. Those ideas relate to full participation in EU regional policy by the widest possible range of actors, at all levels of government and civil society. For the Commission, decentralization means: 'a stronger application of the principle of subsidiarity – taking decisions as close as possible to the people affected' (COM 1999). Indeed the incoming Santer Commission had indicated a willingness to internalise subsidiarity as a guiding

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[2] For a full discussion of the link between market integration and monetary integration, see Pollack (1995: pp. 363-366).

principle for all Commission action. In theoretical terms, the chapter re-visits the activity commonly referred to as sub-national mobilization in order to examine it more closely. It questions the view, often expressed by state-centric approaches, that only the outright capture of decision-making powers and resources from national governments really serves as evidence of sub-national mobilization. Traditional approaches such as intergovernmentalism and, to some extent, well-honed concepts such as multi-level governance do provide important insights into developments in the EU. But this chapter takes heed of the point made by Puchala (1999: 330). He urges theorists to: 'define and delimit what institutionalism and intergovernmentalism, as well as other approaches, respectively do explain and *what they do not explain*' (emphasis in the original). Chapter 6 concluded that some such approaches left insufficient room for taking account of considerations such as the learning and adaptation processes which iterated contact between the various actors in the policy-making process has made possible, and filtering these into any theoretical account.[3] In other words, it will be argued here that sub-national mobilization may be stimulated by factors other than decision-making powers or resources. Elements such as ideas, learning and influence ought not to be ignored or largely neglected. The force of ideas in particular and their contribution to problem solving is central to this chapter. The aim is twofold. Firstly, to explain how the policy-making process can be structured by a *set of ideas* (such as those collated and distilled by the Commission in respect of regional development) just as it can be structured by members of a set of institutions intent on building the EU polity of the future. Secondly, to demonstrate how these same policy ideas permeate the political system by means of a policy frame - in this case *Agenda 2000* - to encourage sub-national actors to mobilise.

The way in which normative polity ideas and policy ideas conceived within institutions make their transition to the policy-making process by means of a policy frame has been fully discussed in Chapter 2.4 of this study. This chapter will argue that *Agenda 2000* is an archetypical example of such a frame. The document sets out how the core normative ideas and aspirations of EU institutions and member states about the future of the enlarged polity are translated into a framework designed to pursue decentralization and to strengthen the Union's democratic legitimacy. *Agenda 2000* is best understood as a case of policy framing: a package of measures reflecting, on the one hand, the normative polity ideas of

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[3] A full discussion on understanding the policy outcomes of negotiations at the constitutional level of EU decision-making and the motivations, strategies and goals of the critical actors involved is contained in Cram (1996).

member governments before and after the next enlargement in 2004-2006 and, on the other, the normative policy ideas expressed by the European Commission in respect of regional economic development, subsidiarity and the widest possible participation in the EU regional policy process. The framing approach is used here to theorise the notion of a link between the role of the Commission in the framing of EU regional policy and how sub-national actors are now further mobilised.

7. 1 The Commission, EMU and enlargement politics

The Commission: a change in direction

A series of 'history-making decisions - developments at the highest political level in the European Union - led to the signing of the Amsterdam Treaty, which opened the way for enlargement (see **Box 7.1**)

Box 7.1.
Political developments leading up to the signing of the Amsterdam Treaty

June 1993	Copenhagen European Council (Endorsement of the CEECs membership perspective)
December 1994	Essen European Council (Agreement to a 'pre-accession strategy' to prepare the CEECs for accession)
December 1995	Madrid European Council (Agreement to start accession negotiations six months after the IGC to be convened in 1996)
July 1996	Start of the 1996/97 IGC (Dealing with institutional reform)
June 1997	Amsterdam European Council (End of IGC; signing of the Treaty of Amsterdam) Commission's *Agenda 2000* published
December 1997	Luxembourg European Council

In line with the *Presidency Conclusions* of the Madrid European Council in March 1995, the Amsterdam Treaty opened the way for the launching of the enlargement process. The

role of the Commission in this process would be to propose the necessary reforms of the structural funds in order to accommodate the candidate countries.

The Commission, under Jacques Santer from 1995-1999 was fundamentally different from the early Delors Commissions which had promoted previous reforms of the structural funds: 'Under Santer, the Commission set on a path to becoming better managed, but it also became far less presidential and visionary' (Peterson 1999: 60). Santer had inherited the increased responsibilities in respect of implementation procedures brought about by the 1993 reform of the structural funds. But his Commission attempted to change direction and re-trench its activities, while still maintaining its determination to frame an innovative and imaginative regional policy for the EU, albeit in a more pragmatic, administrative way. Santer felt that change was needed because there had been a number of reports and screening exercises since the 1970s, each of which depicted the Commission as an organisation plagued by structural and procedural 'irrationalities' (Cini 2001: 3). In his speech to the European Parliament in October 1996, the Commission President accepted the need for reform in the institutions of the EU, and the need for member states to involve themselves more directly in the strict managing of European taxpayers' money (Santer 1996). The need for less involvement in implementation on its part and more on the part of member states formed the context within which the Commission framed its first set of proposals for reform.

The 1997 Commission proposals

The original Commission Communication, on which the enlargement project was based, was presented on 16 July 1997. It contained the institution's opinion on the accession applications, accompanied by a comprehensive communication *Agenda 2000: For a stronger and wider Union* (COM 1997) which described in a single text the overall prospects for the development of the European Union and its policies. The document covered the development of Union policies including the agricultural policies, the horizontal questions relating to enlargement and finally the future financial framework beyond 1999. The Commission submitted broad outlines for new structural fund regulations and, at a meeting of the European Council in Luxembourg on 12 and 13 December 1997, these were deemed an appropriate working basis for further negotiations over an agreement. Priorities highlighted in the proposals included the need to maintain the policy of economic and social cohesion and to allow the accession of new members, while

maintaining budgetary discipline. A third financial perspective was outlined, proposing that overall spending on the structural funds, both among existing member states and the enlarged membership, be frozen at 0.46 per cent of EU GDP. A total expenditure on structural operations within the ceiling of 275 billion euros, at 1999 prices, was proposed for the period 2000-2006. The breakdown of the sum was to be as follows:

- 230 billion euros for the structural funds and the retained Cohesion Fund for existing member states
- 45 billion euros, to be ring-fenced for both pre-accession aid for all the applicants (allocated in similar fashion to the Cohesion Fund) and post accession aid for the six states that were assumed likely to join the EU by 2006

(Allen 2000: 261).

But, in proposing that the structural funds retain a high priority at the same time as having their growth curtailed, the Commission was constrained by the fact that member states were committed to freezing the overall budget at a maximum of 1.27 per cent up to and beyond 2006. It might therefore prove difficult to persuade them agree to any significant reductions in other areas of expenditure.

In addition, the Commission proposed that the structural funds be further concentrated and their implementation simplified. It was suggested that the number of Objectives should be reduced from seven (as outlined in **Box 6.3** in Chapter 6.2) to just three (see **Box 7.2**) over. Coverage of the structural funds would also be reduced from over 50 per cent of the EU population to between 35 and 40 per cent, to concentrate funding on those areas most in need. In order to translate these priorities into legal instruments, the Commission presented legislative proposals on the various topics set out in its communication on 18 March 1998 (Commission of the European Communities 1998). In broad outline, a set of proposals comprising three elements was established; the financial perspective for the period from 2000 to 2006; the reform of Union policies, in particular the CAP and structural funds in the light of enlargement; and a detailed recommendation on how to proceed with enlargement. The twelve states currently under consideration for membership of the EU, first engaged in enlargement negotiations on 31 March 1998.

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│                         Box 7.2                             │
│             Structural fund objectives: 2000-2006           │
│                                                             │
│   •  Objective One: remains as above, but with a stricter   │
│      application of the criterion. It will also include     │
│      those areas previously eligible for Objective 6.       │
│                                                             │
│   •  Objective Two: is for regions facing major change in   │
│      the industrial, services and fisheries sectors, rural  │
│      areas in serious decline and disadvantaged urban areas │
│                                                             │
│   •  Objective Three: covers those regions not covered by   │
│      the other objectives, and is specifically aimed at     │
│      encouraging the modernization of systems of education  │
│      and training                                           │
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In the period up to 1998, Santer had earned himself a reputation as a 'safe pair of hands', who understood the need for the Commission to be a well-managed, 'clean', high-performance bureaucracy, for reasons both political and functional. But warning bells relating to waste, nepotism and fraud in the Union's institutions, and the capacity of these issues to undermine the Commission in particular, continued to be sounded in Brussels. These developments had the potential to damage not only the credibility of the Commission itself, but also the *credibility of its policy ideas* for a Europe of the future, and the amount of autonomy the institution would enjoy in framing a regional policy for enlargement.

The chief cause for concern for the Commission was the fact that (in 1993) the framing of the structural funds had been based on the assumption that responsibility for implementation of the EU structural funds budget would be shared by public authorities in the member states. But prior to 1999, eighty per cent of the budget was, in fact, managed by member states themselves. The Commission was dependent on the delivery and enforcement capacity of member states, and repeated allegations of fraud in several commodity areas such as beef and wine, whilst not directly attributable to the Commission, caused the bureaucracy as well as member states severe embarrassment.[4] Internal management problems and an implementation programme, characterized by a fragmentation of responsibility between the Commission, national governments and sub-

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[4] Laffan and Shackleton (2000) provide a comprehensive account of questions being raised about 'value for money', accountability, and the quality of the Commission's financial management as the financial resources of the EU budget became larger in the 1990s.

national authorities, led to criticisms of the Commission's general financial acumen and management ability. It is described as: 'an organisation that for too long paid more attention to policy innovation than its management' (Laffan and Shackleton 2000: 226). A number of critical reports were issued by the European Parliament in respect of the Commission's failure to reform its internal procedures, especially those related to financial management, and bodies such as the European Court of Auditors also called into question the reliability of *national* management of EU finances (see European Court of Auditors 1998: 5). But it was the *Commission's* reputation which was more damaged by these developments.

By way of response to its critics in 1998, the Commission seemed poised for significant internal reform. An initiative, 'Designing Tomorrow's Commission', launched by Secretary General Carlo Trojan undertook to screen almost every aspect of the Commission's performance in all of its offices. These included not only Brussels locations, but also offices in EU member states and those in upwards of 120 delegations around the world. The purpose of the initiative was to try to eliminate, or at the very least alleviate, duplication, overlap and waste. Putting its house in order was very near the top of the Commission's agenda. This screening process identified a host of problems under the headings of 'structures', 'activities and resources' and 'working methods' (see MacMullen 1999). These were the Commission's 'in-house' problems. But the main problem in the wider context was that this further evidence of the Commission's inefficiency could potentially undermine the credibility of its normative policy ideas (in respect of strategic development and reform of the structural funds) and, crucially, its ability to persuade member states to adopt them. The internal pressures in the Commission were also exacerbated by external pressures from member states.

EMU and enlargement

Member states, pre-occupied with their own concerns, were also capable of creating difficulties for the Commission.[5] In the Delors I and II packages Germany (traditionally the paymaster of the Union) had made by far the largest net contribution to the EU budget. Under Chancellor Helmut Kohl, the German government had agreed to major increases in the budget in return for commitment on the part of the other member states to the completion of the internal market and adoption of the new single currency. But by the late

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[5] For an in-depth account of the precise concerns for member states at this time, see Pollack (2000).

1990s, the rising costs of German unification, allied to a dramatic rise in unemployment and associated public spending costs were leading to demands on the part of Kohl's government that their net payment to the Union be limited.

In a simultaneous development, the other member states were conducting their own drive for fiscal austerity. They were very keen to reduce their budget deficits and national debts in order to meet the convergence criteria for the new European currency. National budgets were going to have to be cut or taxes raised to meet the criterion set by Maastricht (a budget deficit of under 3 per cent of GDP). As a result of this domestic 'belt tightening' all member states came to the negotiating table in 1999 with demands for similar signs of fiscal austerity in the EU budget: eight of them arguing that it should be frozen in real terms at the 1999 level. For enlargement to succeed, structural funds would increasingly have to be re-directed away from existing member states to poorer ones. National governments, not surprisingly, sought to limit their own anticipated losses, which would come as a result of the switch in emphasis of the funds. These governments were understandably anxious to convince their respective domestic constituencies that they were not going to lose out financially as a result of enlargement. The publicly declared normative aspirations of member states in respect of enlargement and set out in *Agenda 2000*, had to be balanced against the functional expectations of the electorates which national governments are traditionally expected to satisfy. The rhetoric contained in *Agenda 2000* on the future of the EU had to give way to the reality of member states' own interests.

Thus the approach of economic and monetary union (EMU) added to the already pervasive atmosphere of uncertainty which existed within member states in 1998. Even in states committed to the single currency venture, the potential impact of EMU convergence criteria on national budgets was a cause for concern. In states such as the UK, on the other hand, where perceived loss of sovereignty in relation to joining the single currency remains a contentious issue, increased political integration of any sort was viewed with some degree of suspicion. The political context in the run-up to negotiations on the 1999 reform of the structural funds was, at least in part, shaped by these two factors. The first, the pressure being exerted on the Commission by member states and the European Parliament to get its house in order and the second, concern on the part of the member states at the prospect of diminishing financial returns from the structural funds and EU regional policy.

EU political developments

Throughout the drafting of *Agenda 2000* and the formulation of the original proposals for the 1999 reform of the regulations, Santer's Commission had continued to be dogged by criticism of its management. A full and detailed study of the reasons for the ultimate demise of the Santer Commission lies well outside the scope of this chapter. The events have been dealt with very thoroughly by other scholars (see, for example, Peterson 1999; Cini 2001). But the implications of these developments for the future role of the Commission in Community policy implementation are pertinent to this study. In terms of operationalizing policy overall, the hard lessons learned from debacles such as the Leonardo Programme had arguably changed the Commissioners' own perception of their role.[6] In the regional policy sector specifically, the lesson was to avoid future over-involvement in implementing procedures,[7] and over-commitment of resources in terms of having personnel and resources spread too thinly over too many policy activities. This is a matter to which this chapter will return in more detail. However, the Commission's commitment to sub-national mobilization (by fostering a sense of responsibility within administrative culture among local/regional actors in the policy process) remained undiminished, as Section 7.4 of this chapter will demonstrate.

The EU in crisis

Three factors coincided in March 1999. Firstly, the Commission's resignation was a political and institutional crisis. The decision to appoint Romano Prodi was taken without ceremony and in considerable haste. The Berlin summit, convened within a week of Santer's resignation, concentrated the minds of member states as never before. Anxiety over the urgent need to 'reinvent' the Commission was compounded by already existing concerns in respect of the launch of the new single currency. In addition, the new German Chancellor Gerhard Schroeder, whose control of his government had been strengthened by the resignation of his Finance Minister Oskar Lafontaine, wished to realise German ambitions to conclude negotiations on the budget in March 1999 under the German

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[6] In the case of the Leonardo programme, the Commission did not have the staff to implement the programme itself. It had to contract out technical support via 'Technical Assistance Offices'. The French firm awarded the technical assistance contract was subject to an audit between June 1996 and May 1997. The audit uncovered a substantial range of abuses including fraudulent billing, overpayment of subcontractors and nepotism.

[7] For example, stipulating the need for each Programme Monitoring Committee to have a Commission official as member.

presidency. Finally, the crisis situation in Kosovo escalated to full-scale war just as the Council's leaders were gathering in Berlin. NATO air strikes against Serbia began on the first night of the Berlin summit. These three developments persuaded member states to cut short a potentially protracted and damaging budgetary battle over the 1999 reform of the structural funds. The institutions of the EU had to present a united front both at home and abroad, and this had to be reflected in its pronounced polity ideas.

Against this background, the European Council, at a meeting in Berlin on 24 March 1999 reached a political agreement on the Commission's spending proposals, although allocated resources fell short of the EUR 218.5 billion originally intended by the Commission. It might be argued that the reduction of the Commission's funding recommendation implies a semblance of loss of control on its part. But it was not clear at that stage what the implications might be for Commission policy ideas on regional economic development, and the notion that the policy process should involve as many local/regional actors as possible in the activity of sub-national mobilization. That said, the institutions were then able to continue examining the rest of the *Agenda 2000* legislative package and to adopt final measures before or immediately after the election of the new Parliament in June 1999. The Commission had to await political authorisation to come from member states to finance the policy. Sub-national actors had to take a back seat until the policy framework was published. But these key players would re-emerge in the negotiations around how policy was to be implemented as a programme.

7. 2 The 1999 reform proposals: the bargain struck

Something for everyone?

In March 1999, the Berlin European Council set the financial framework for the new structural fund regulations for the period 2000-2006 (European Council 1999). The total available resources agreed on (EUR 195 billion) were EUR 23.5 billion less than initially recommended by the Commission. Each member state sought acceptable assurances on the amount of structural fund support allocated to their regions. The structural funds, which had been doubled during each of the previous two budgetary rounds, would in effect be reduced over the 2000-2006 period, being supposedly concentrated more narrowly on the

poorest regions. Spain, as ever, demanded that poor countries should suffer no net loss of EU structural funding. Therefore, transitional aid was to go regions previously eligible under Objectives 1, 2 or 5b, but no longer eligible in the 2000-2006 period. In all, the conclusions of the Berlin European Council laid out thirteen special arrangements for selected regions in member states: (see **Box 7.3**)

Box 7.3
Particular situations allowed for in the Berlin Agreements

The Berlin European Council of 25 and 25 March 1999 agreed structural fund spending for 2000-2006 and allocated 11.142 billion euros for transitional support for all regions and areas which no longer met the relevant eligibility criteria. Particular situations were to be funded as follows:

(a) For the development of the Lisbon region, a special phasing out treatment of 500 million euros will be provided for Objective 1
(b) In recognition of the special efforts for the peace process in Northern Ireland, the PEACE Programme will be continued for five years with an amount of 500 million euros, of which 100 million euros will be allocated to Ireland.
© A special phasing out treatment of 100 million euros will be provided under Objective 1 for the transition region of Ireland resulting from the new classification of regions. For re-classification itself, an additional allocation to Ireland of 550 million euros under Objective 1.
(d) In order to take account of the particular characteristics of labour market participation in the Netherlands, an additional amount of 500 million euros are allocated to Objective 3.
(e) A special programme of assistance for Sweden totalling 150 million euros in the framework of Objective 3, plus 350 million euros for Sweden under Protocol No.6 of its Act of Accession
(f) To take account of the special problems of East Berlin in the transformation process, 100 millions euros added to phasing out of Objective 1
(g) The modification of the safety net provisions will add an additional 96 million euros for Italy and 64 million euros for Belgium to phasing out Objective 2.
(h) An additional amount of 15 million euros provided for the Hainut region in Belgium for Objective 1 phasing out.
(i) Low population density matched with a high degree of poverty mean the Highlands and Islands of Scotland receive a special phasing out programme totalling 300 million euros.(j) A special financial allowance given to Greece (450 million euros), Portugal (450 million euros), Ireland (40 million euros) and Spain (200 million euros) to maintain, for the period 2000-2006, the overall average of per capita aid reached in 1999.
(k) A total amount of around 350 million euros will be allocated to Austria inside Community initiatives.
(l) a total amount of around 550 million euros will be allocated to Netherlands inside the Community Initiatives.
(m) During the examination of eligibility for Objective 2, special attention will be given to areas of the Abruzzi which are adjacent to the Objective 1 areas.

Source: European Council (1999)

The budget for the period 2000-2006 is limited to 1.27 per cent of the Union's Gross Domestic Product. This figure allows for only minimal growth in real terms in spite of the

increasing demands of pre-accession aid to the candidate countries, and the anticipated cost of taking in new members from around 2003-2004. Two new financial categories, namely those for pre-accession aid and enlargement are 'ring-fenced' from the normal budget of the current EU members.

For the Council, the European Parliament and the Commission, a new look regional policy of concentrated aid, focused funding and decentralised management was to be the order of the day. But taking account of the sheer volume of transitional arrangements, sceptics might be forgiven for wondering just how 'new' this EU regional policy was or is. There continues to be something in it for everyone. That said, *Agenda 2000* is about keeping current member states on side as well as equipping the Union with more effective policies and the financial means to implement them in a spirit of solidarity, while ensuring similar budgetary rigour at the level of the Union as applied at national level (Council 1999). While the Delors packages I and II both increased total expenditures drastically (doubling and re-doubling the structural funds), the 1999 financial perspective bears the mark of the EU's new fiscal austerity and the German determination, under Chancellor Schroeder, to limit its own net contribution to the budget (Pollack 2000: 53).

The financial context in which bargaining took place in 1999 was changed, partly because the participants recognised that the Union possessed finite and not infinite resources. Member states had also taken on board the findings of the Committee of Independent Experts, which attributed part of the Santer Commission's management failure to: 'control the expansion of Commission tasks without commensurate increases in administrative resources' (European Parliament 1999b: section 5.8.2). The Committee had called attention to the disjuncture between the transformation of the Commission 'from an institution which devises and proposes policy into one which implements policy', and the underdevelopment of the Commission's financial management capabilities. The situation in which the Commission found itself represented not only a serious challenge to its key role in policy development but also a serious threat to its potential to foster sub-national mobilisation by wider involvement in the EU regional policy process. The institution was something of a spent force (the College only continuing as 'acting' commissioners) until the Prodi Commission could be designated in September of 1999, with stringent instructions to attempt, yet again, to restore order to the Commission's house.

It is hardly surprising that, in view of the Commission's resignation, the financial framework of the 1999 regulations bears the stamp of member governments: the negotiations represent a straightforward intergovernmentalist scenario. National governments were in the driving seat, and the first outcome was that the agreement reached in Berlin failed to match the budgetary figures proposed by the Commission. The 105.2 billion euros (the Commission's projected commitments budget for 2006) was reduced to 90.2 billion. The ceiling figure on monies set aside for payment (including the monies available for accession) was set at 1.13 per cent of GDP: it failed to reach the 1.27 per cent ceiling under the existing resources. In sharp contrast to the very significant increases allocated to the structural funds in the 1988 and 1993 reforms of the structural funds, the Berlin agreement represented, at best, a consolidation of the EU's budgetary resources. Expenditure proposed by the Commission was reduced in all areas:

- The 2006 provision for agriculture was reduced from 51.5 billion euros to 41.6 billion
- Proposed structural funds allocation was reduced to 29.1 billion euros from 32.5 billion
- Resources for internal policies were reduced 6.2 billion euros from 7.6 billion

Overall, these figures are indicative of a prudent budget strategy rather than an expansionary one. This was and is a policy which emerged as the product of decisions of governments: one in which the role of the Commission was to recommend the percentage of financial resources required to accommodate the exigencies of enlargement.

But closer examination of the policy content brings the roles of the other key players (the Commission and the sub-national actors) back into sharp relief. Reduction of the Commission's financial package was accompanied by changes made to the Commission's original proposals for the implementation process. Article 42 (European Council Regulations 1999:35) provides for a greater role for central governments in the mid-term review process and Article 44 authorises member states to make proposals from which the Commission, in joint consultation, is to select programmes deemed successful. The core principles of EU regional policy (concentration, programming, partnership and additionality) continue to be the basis for the division and distribution of the funds, but each principle is subject to some revision.

First, in a bid to increase concentration of the structural funds, and to target the areas

most in need, the number of priority Objectives is reduced from six to three. In a further move to concentrate structural fund support, the number of Community Initiatives (CIs) that existed during the 1994-1999 period (thirteen) is reduced to four: INTERREG, URBAN, LEADER and EQUAL.[8] The percentage of the total funds allocated to these is reduced from 9% to 5.35%. The reduction in CIs, programmes which give the Commission the greatest flexibility in terms of selection of projects worthy of support, might be construed as a reduction of the Commission's autonomy in policy-making, and to have advantaged member states.

Second, structural fund assistance continues to be implemented by way of Single Programming Documents (SPDs), Community Support Frameworks (CSFs), and operational programmes, involving partnerships of European central government and sub-national actors. Third, partnerships continue to include regional and local authorities, as well as economic and social partners. But the basis of the partnerships is widened to include organisations concerned with: 'the need to promote equality between men and women and sustainable development through environmental protection and improvement requirements' (European Council 1999: 12). The first two changes (the increased role for central governments and the perceived reduction of Commission autonomy in policy-making), taken together with the reduction in the Commission's financial package, could be construed as increased member state control. The widening of the partnership basis, on the other hand, implies opportunities for new participants to become involved in the policy-making process.

However, the sub-national partners are still to be selected by the member states, and central governments are not compelled to include the types of organisation suggested in the regulations. Finally, the new regulations state that structural fund support should represent a genuine addition that is: 'it may not replace public or other equivalent expenditure by the member state' (European Council 1999: 31). Additionality is to be verified by the setting of baseline figures for existing public/private expenditure in Objective 1 regions in member states. For Objective 2 and 3 areas, the baseline figure is to be set at the level of public expenditure allocated to these objectives at national level. But, because the regulations allow for a considerable degree of flexibility in the setting of the figures, (they can take

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[8] INTERREG is designed to support transnational/cross-border/inter-regional cooperation; URBAN to support economic and social change in urban areas in crisis; LEADER to support rural development by ocal action groups; and EQUAL to promote transnational cooperation to combat inequality in the labour market.

account of privatisations, exceptional levels of public structural effort and national economic trends), it will be increasingly difficult for the Commission to verify additionality.

The roles each of the partners will play in the monitoring and evaluation stages of the structural funds programmes are set out in great detail in the new regulations, in an attempt to simplify the programming procedure. For example, where previously there had been no specific rules on the responsibilities of the member state, these are now clearly designated. Similarly in respect of evaluation, much more input is required of the member state in the mid-term evaluation than before (Commission of the European Communities 2000a: 28-29). Responsibilities are now specifically allocated to each of the participants in the policy process. This action has been taken in response to previous criticism that such implementation programmes had been characterised in the past by fragmentation of responsibility between the Commission, national governments and sub-national authorities. On the face of it, this re-allocation of responsibilities has all the hallmarks of member state governments wresting control of the policy area back from the Commission. But a few officials when asked suggested that the Commission fully approves of this change.[9] The lessons learned from the Santer experience between 1997-1999 about the consequences of over-involvement in implementing procedures are very much in evidence in the way the institution framed this policy. In re-assessing its own role, the institution is signalling that it is stepping back from being a body which implements policy and moving towards being one which frames it. This transition is reflected in the implementation processes.

In future, the Commission will play an increased role in setting the overall priorities for fund assistance. Central governments under the previous regulations were not required to take formal responsibility for implementing and monitoring and, as has already been discussed, many of the member states took very little. They, along with the other key players (the sub-national actors) are now are expected to play a larger role in the implementation and monitoring of the funds. The regulations also make clear the roles to be played by the partners in evaluation before, during and after structural fund programmes. In other words, sub-national actors are being given formal responsibilities and are expected to be involved throughout the entire process. As with earlier

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[9] Interview with Commission official, DG Social Policy in Brussels, 18 June 2001; interviews with officials in DG Regional Policy in Brussels, 19 June 2001(a); 19 June 2001(b); and interview with official in Commission's Secretariat General in Brussels on 19 June 2001(c).

programming periods, the way in which partnership provisions are applied will vary between states and within states, in line with internal constitutional and territorial arrangements. But this was the outcome the Commission favoured: that sub-national actors be mobilised by having a designated function in the policy process and a clear responsibility for carrying it out. The framework regulations having been set in place, the Commission's remit was then to shape the way in which EU regional policy might be implemented and delivered to the citizens of Europe.

7. 3 Framing a policy to match enlargement

The normative context

Ostensibly, the *Agenda 2000* reform process is about re-shaping the Union to enable it to make a success of enlargement and, at the same time, to deliver better economic prospects for Europe's citizens. Central to these aims are a commitment to fiscal probity, and a clear desire to pursue decentralization on the part of the member states. Members of the EU's institutions were and are in process of developing a range of core normative ideas about the future of the enlarged polity and the strengthening of the Union's democratic legitimacy. Longer-term normative aspirations include ensuring lasting peace and stability for the continent of Europe and its neighbouring regions. It is easy to dismiss such grandiose ambitions as political rhetoric, not least in light of the amount of political 'infighting' taking place among member states. But the Union's credibility as an international actor on the global stage demands that members of the institutions at least publicly share the same set of polity ideas (though they do not necessarily share a view on how these goals might best be reached). Such ideas must be seen as part of the normative context within which decisions are taken by the European Council when it is setting the course and direction of future EU policy-making.[10]

In considering policy as the product of decisions of governments, the Commission is most often the interlocutor for these ideas, and it must be repeated that it is not the intention here to imply that these polity ideas are the exclusive intellectual property of the Commission. That would be to over-inflate the claim for that institution. But one of its strengths is the capacity of the Commission to pick up on ideas emanating from governments and, to some extent civil society, at all levels in the member states and, as one ex-official put it: 'to distil

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[10] For a more detailed discussion on the role of polity-building ideas, see Chapter 2.4

these into a policy framework to which all members can sign up.'[11] In *Agenda 2000*, perhaps for the first time, the polity ideas and the policy ideas come together.

The Commission and sub-national actors

The commitment to fiscal probity and the clear desire to pursue decentralization combine to form the normative context within which the new EU regional policy is framed. The former factor has already been discussed at some length in this chapter. In terms of the latter, Commission President Romano Prodi is no less committed than his predecessor to the mobilisation of sub-national actors by giving them enhanced responsibilities. They now come back to centre stage. In a speech to the European Parliament in February 2000, President Prodi reiterated many of the central tenets within the framing of the 'new look' regional policy, including the desire for a more democratic form of partnership between different levels of governance in the EU:

> We need to ask ourselves what should be done at the European level and what should be done by the member states, the Regions or civil society. Far from advocating a centralizing role for "Brussels", I believe the time has come for **radical decentralization.**
>
> (Prodi 2000)

The policy frame

The Commission's commitment to its policy ideas is reflected in the design of the policy itself. The new 1999 regulations represent a policy framework framed by the Commission and agreed by member states that leaves open the possibility of active sub-national involvement in the sector. The framing of the policy is crucial, in that its aims and objectives arguably mirror economic development principles subscribed to by member states in the Treaty of Amsterdam.[12] In other words, the policy sets out how the normative ambitions of the Council in respect of the future EU polity might be translated into policy instruments best suited to the task. *Agenda 2000* represents a manifesto for change in the EU (COM 1999a). The Commission has insisted that issues such as equal opportunities, sustainable development and social inclusion are of critical importance. These are

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[11] Interview with senior civil servant in Scottish Executive on 22 November 2000.

[12] When the Treaty of Amsterdam was agreed, a new Title on Employment was inserted containing thematic principles aimed at stimulating regional economic development. These principles include improving employability and promoting social inclusion by access to employment; developing entrepreneurship and job creation; encouraging adaptability of businesses and their employees and strengthening equal opportunities policies for women and men.

horizontal themes, which must be addressed by all structural fund programmes, and are clearly set out in each of the core principles of the policy (COM 2000a). By identifying these issues in the context of the programmes, the Commission is making strenuous efforts to raise the profile of these and other cross cutting themes, such as social justice and skills training, encouraging governments at all levels to examine these objectives in the light of their own domestic priorities. What follows is an examination of policy as a programme.

Central to the design of *Agenda 2000* is the theme of 'local development'. Broadly speaking, it is defined as a development process based on the use of local resources through integrated actions by various local actors. Because the process operates in a relatively small territory, such as part of a town or city, local people attached to the place can be 'mobilised' by appealing to a shared sense of identity, history and culture. In the words of the Commission:

> In contrast to the 'top-down' designs (decisions taken at the top and imposed below), the local development approach is 'bottom-up': it is based on the requirements identified by many local actors (businessmen, co-operatives, public bodies, local politicians and civil servants). The involvement of local actors is truly at the heart of this approach
> (Commission of the European Communities 1999b: 6)

The partnership principle (the means whereby this policy aim is to be delivered) is now extended to include organisations promoting equal opportunities and environmental protection. The economic and social partners benefited in the 1994/97 programming round by the redefinition of rules for the European Regional Development Fund and the European Social Fund. These rules stated that co-funding might be taken account of as the 'value of a volunteer's time'. The premise is that although small and/or voluntary organisations may not have the money to put into a project, they could develop a methodology that Commission auditors could accept, and which could be regarded as co-funding. A new 'capacity-building' priority was created, with the purpose of funding organisations which had previously not had access to the structural funds. With this priority in place for the 2000-2006 round of programmes, new and often small organisations dedicated to equal opportunities and environmental protection can be considered as partners in the programme implementation scheme. This is a practical example of how EU regional policy has been framed and re-framed, that is to say policy priorities and regulations re-designed, in such a way as to admit new participants with new responsibilities to the EU regional policy-making process.

Policy implementation

Another such example of how new actors become involved in a local development process is the Territorial Employment Pact (a pilot action launched in 1997) now mainstreamed and one of the innovations introduced by the Structural Fund Regulations for 2000-2006.[13] These programmes take place in Objective 3 areas and the Objective 3 policy frame of reference requires: "a document which sets out the context for assistance concerning employment and human resource development throughout the territory of each member state, and which identifies the relationship with the priorities set out [by the member states] in the National Plan for Employment" (Article 9c.Council Regulation 1260/1999). The Plans have to be submitted to the Commission and take as their starting point the local or regional level. National Plans are expected to provide first information on how involvement of the sub-national level is to be achieved, and the intentions of member states regarding this local complement to their employment strategy. The policy is framed in such a way as to establish a link between National Action Plans in member states and the structural funds overall.

Sub-national involvement

The initiative to promote and organise the Pact has to come from whichever public authorities are in the best position to influence the level of employment in the target area. Such authorities are then obliged to invite all public and private sector bodies with major responsibility in the employment field to participate in discussions and to draw up a programme of job creation measures in line with the strategy of the territory in question. The emergent Pact will be the result of a debate leading to an agreement between the local partners, published in a strategic document and accompanied by operational or financial commitments entered into by each of the partners. EU regional policy as a programme is framed so as to encourage decentralization, by means of a more democratic form of partnership between different levels of government. The partnerships are created as a result of collaborative working in the preparation of programmes such as Territorial Employment Pacts. Discussions leading up to the formal conclusion of a pact call for an association of various key players (see **Box 7.4** over)

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[13] Pilot projects such as this are tested out in selected regions and, if deemed successful, may be applied for by regions throughout the EU, that is to say allocated mainstream funding, see Commission of the European Communities (1999b).

Box 7.4
Key sub-national players in a territorial Employment Pact

National, regional and local authorities

The private sector, including large companies, small business representatives, socio-economic organisations, financial institutions etc.

The Chairs of Committees responsible for monitoring EU structural assistance

Associations for the development or re-development of the territory in question

Employers and trades unions

The not-for-profit and co-operative sector community groups

Professional organisations, chambers of commerce

Training, research and technological institutions
Source Commission of the European Communities (1999b)

These ventures do not only incorporate different levels of government in the EU and member states. The Pacts, because of the breadth of the partnership basis available, can also involve as demonstrated above, a whole range of sub-national actors in the decision-making and implementation process of EU regional policy. State-centric approaches imply a combative relationship between the Commission, national governments and sub-national actors: they imply that one actor's gain equates to another's loss. But the framing approach suggests a collusive relationship in which the partners can influence the policy process without necessarily 'capturing' the resources. Sub-national actors are mobilised to participate and to seek involvement in EU regional policy-making because of the partnership concept and the way in which the policy is framed.

7. 4 Reflections on EU regional policy

A changed perspective

In terms of policy as outcome, the framing of the new EU regional policy reflects the larger role allocated to the Commission by the 1999 Regulations in the setting of the overall

priorities for structural fund assistance. The Commission is the institution which defines the aims, the priority Objectives, the organisation of the four structural funds and the rules that govern them. The Commission is by no means excluded from the policy sector by the reform of the 1999 structural fund regulations. In many respects, it will do what it arguably does best: drafting Community Support Frameworks and Single Programming Documents; verifying additionality; and making decisions relating to Community Initiatives. The lessons learned within the bureaucracy in respect of over-extending its management capabilities in the 1997-99 period are still very much in evidence. The experience of the Leonardo da Vinci vocational training programme, launched in 1995, (and outlined on P.17 of this Chapter) demonstrated how a programme emerging from a Commission initiative ultimately involved the institution in activities for which it is organisationally ill-suited (Smith 2000:216). The experience underlined the difficulties which arise when an institution tries to transform itself from one which frames policy to one which actually implements it. The public view of President Prodi in respect of the need for decentralization in EU regional policy was laid out in his speech to the European Parliament on 15 February 2000. His view was reiterated later that year in the Work Programme for the *White Paper on European* Governance when he outlined Commission thinking on handling the process of producing and implementing Community rules:

> Establishing adequate arrangements for *evaluating* the effectiveness of the rules, ensuring independence and transparency of these mechanisms... This could be achieved by using new technological applications for streamlining communication between the parties involved in the decision-making process at European level. In this vein, introducing arrangements for *"tracing" what happens to Community directives and regulations* right from the Commission proposal to the national implementation should be looked at.
> (Commission of the European Communities 2000a: 9).

But it is also a view shared by a few of the officials involved in the policy sector itself. Some within the Commission Directorates most closely involved with EU regional policy matters reveal an awareness of the need for its role in the structural funds to be redefined. In respect of withdrawal from 'lower-level' partnership activity, one official confirmed that: 'The Commission wanted to change its role anyway...The Commission wanted a more arm's-length approach than it had previously...It was the Commission who proposed that it should become an observer in the structural funds field.[14]

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[14] Interview with Commission official, Brussels, 18 June 2001(b).

To some extent, the institution was a victim of its own success. During the 1990s, the increasing penetration of EU regional policy into member states and the broadening of the partnership basis mobilised sub-national actors to seek to participate, and brought them into direct contact with EU institutions. As a result, there were increased demands on the Commission's resources, and increased responsibilities in respect of monitoring and management of an ever-expanding range of programmes. The effect on the Commission was to put at risk the integrity of an institution which was designed in the first place to protect the Community Treaties and to promote European integration. In a study of this nature and size it is impossible to generalise on the effect of pre-1999 events on Commission officials throughout the Union. But in the course of conducting the interviews for the case study, one or two other interesting comments did emerge. One official who experienced this process of the reinvention of the Commission was of the opinion that in engaging in these expansionist activities the Commission 'lost the bigger picture'. It was not doing what it should have been doing, which was transferring best practice from one region to another, transferring policy learning. It was simply getting too bogged down in the detail.[15]

Similarly, one or two Commission practitioners working actively on the ground with the partnerships tended to agree. The shift of monitoring responsibility is seen as healthy in that partnerships now monitor one another's progress as well as their own.[16] Speaking purely about their own geographically assigned area, they viewed sub-national actors as developing more of a sense of responsibility. For these officials, the partnerships were beginning to reflect the sense of responsibility within administrative culture the Commission is seeking to foster throughout the EU. They take the view that they [the sub-national actors] are being asked to take their share. It is no longer the case that the negotiation is crucial and then the local administration takes the blame. The local administration contributes to the plans for the programme, so they are involved, both when the programme is being developed and in the negotiations.[17]

The Commission point of view on the ground as expressed by those who contributed to the case study is that the institution really needs to question the extent of the 'added value' of

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[15] Interview with Commission official, Brussels, 18 June 2001(b).
[16] The Programme Monitoring Executive is an example of one of the arenas in which this process typically takes place.

[17] Interviews with officials in DG Regional Policy, Brussels, 19 June 2001(a); 19 June 2001(b).

Commission involvement in the implementation of the structural funds. As an institution, some feel it ought to focus more on transferring policy learning and good practice. The role ought to be a much more expert one than being drawn into local politics and local issues, which some in the Commission felt were none of their business.

Conclusions

It is recognised in this chapter that the European Council, member governments in Intergovernmental Conferences, and the European Court of Justice took the history-making decisions in relation to enlargement and the sum total of financial resources to be allocated to accommodate it. In addition, it is acknowledged that central governments are important actors in policy as the product of decisions of governments on the new structural fund regulations: they have to sanction the Commission's proposals. This has traditionally been their role. But the task of the Commission is to distil the normative aspirations and functional demands of member states into a policy frame which will lead to consensus formation in a complex, multi-lateral setting. The concept upon the institution which has based its framing continues to be partnership: by now a tried and familiar strategy. EU regional policy (when looked at as a programme) is still a particular package of legislation, organization and resources designed to achieve the EU's economic, political, and social goals and the composition of partnerships has been extended to include those working to protect the environment and to promote equality between men and women.

Bache (1999) cites the decision of the Commission to withdraw from the 'lower-level' partnerships, and the reduction in the number of Community initiatives as evidence of a Commission retreat and a national government advance. But it is suggested here that the retreat to a more strategic role has been heartily endorsed in the Commission's public pronouncements. The clause in the 1999 regulations, which stipulates member state responsibility for financial control of assistance, has similarly been cited as evidence of a further reassertion of national government control (Bache 1999: 42). It might be argued, however, that the codification of national government responsibilities was made necessary by national government neglect of the responsibilities of delivery and enforcement: specifically in terms of the 80 per cent of the budget they were expected to manage on behalf of the Union in the 1997-99 period. In the circumstances, such a re-allocation of responsibilities and redefining of roles, prior to the accession of up to thirteen much poorer applicant countries, suggests a positive move towards a more collaborative approach to

policy-making in this sector. In other words, rather than extending their role as 'gatekeeper', national governments are simply being formally required to take on their share of financial responsibility for the delivery of assistance from the structural funds: a role for which they along with sub-national actors are much better placed and better suited than the Commission. The 1999 reform process represents more than just a straightforward exercise in institutional 'arm-wrestling'.

This chapter set out to demonstrate how, despite the challenges it faced, the Commission created enhanced opportunities in *Agenda 2000* to which sub-national actor might respond to become involved in EU regional policy. Chapter 6 in its conclusion discussed the need to define and delimit what the leading theories on EU decision-making and policy-making do and, more crucially, do *not* explain. The multi-level governance model continues to have considerable explanatory power in this sector. This approach's emphasis on the central role the Commission plays in agenda setting is helpful. So too is the model's assertion that the policy opportunities offered to sub-national actors, by the introduction of the partnership principle to EU regional policy, enables these actors to participate in a learning process, with potential for policy and institutional innovation, flexibility and adaptation. However, although multi-level governance fully recognises the Commission and sub-national actors as key players, it tends to concentrate on vertical links – the shifting of decisional powers either upwards or downwards. In doing so, it pays less attention to what mobilises sub-national actors to seek such policy opportunities for learning or indeed any sort of involvement by way of the horizontal links offered by partnership.

Little is said about how these same actors put into practice what they have taken from the 'learning process'. Nor does the model take account of the wide variations among sub-national actors both in their capacity to mobilize and their ability to transform this mobilization into real impact or influence. Finally, the model does not address the presence of actors in the EU regional policy-making process, such as the social and economic partners, who do not belong, in the technical sense, to any level of 'governance'. Ventures such as Territorial Employment Pacts have been cited as a means whereby a whole range of sub-national actors may influence the policy decision-making and implementation processes of EU regional policy. Such actors owe their involvement in the policy process to the design - the framing - of the policy. This chapter therefore understands *Agenda 2000* as a case of policy framing. It is a package of measures reflecting both polity ideas and

policy ideas. The polity ideas of the European Union in respect of enlargement and the future shape of the polity are distilled and presented by the European Commission. These ideas are the product of a collective development (on the part of the Union's institutions) of a range of core norms, including an expressed desire to pursue decentralization and to strengthen the Union's democratic legitimacy. They are the ideas which to date form the normative context within which EU decisions are taken. They are ideas to which all members of EU institutions have publicly subscribed in their agreement to the Treaty of Amsterdam and to the 1999 reform of the structural funds.

But these polity ideas on the future of the EU after enlargement must make their transition from public pronouncements, published in the form of a series of *Presidency Conclusions* (their institutional setting) to the policy process. In other words, the ideas have to be set down by the Commission in the form of a policy framework, and then the policy formally adopted by the Council. The policy frame is a vehicle for ideas. *Agenda 2000* represents a coming together of both the *polity* ideas of the European Council, member states, representative bodies such as UKREP and COREPER, and Parliament – to re-shape the Union to enable it to make a success of enlargement- and the *policy* ideas of the European Commission – involving the widest range of actors at all levels of government and civil society in EU policy and decision-making. The EU regional policy-making process, since the 1999 reform of the structural funds, has been structured by the members of a set of institutions sharing a set of normative ideas. These ideas have been incorporated into the design of the policy by the Commission, and have subsequently permeated the EU political system by means of a policy frame, in this case *Agenda 2000*. The way in which the Commission has shaped EU regional policy over the years has led to iterated contact between the various key players in this sector, and to new sub-national actors being given designated responsibilities within the process. The framing approach as utilised here explains how exposure to the Commission's policy ideas, particularly those on partnership, actually forms part of the 'learning process' for sub-national actors. The experience gained from such a process is what mobilises those actors to seek further involvement in the EU regional policy process.

Chapter 8: EU regional policy in a devolved Scotland: a case study

Introduction

The starting point for Chapter 8 is the period in the UK when two developments were taking place simultaneously. Domestic competencies were being devolved to Scotland by Westminster. At the same time, *Agenda 2000* was being launched in the European Union, to encourage full participation of the widest possible range of actors in EU regional policy-making. Decentralization and the commitment to a 'stronger application of the principle of subsidiarity' – taking decisions as close as possible to the people affected' (Commission of the European Communities 1999a: 12) were high on the EU agenda. In Scotland, it was almost inevitable that the insertion of a further tier of governance in the form of the Scottish Parliament and Executive would have some effect on the *status quo*. Specifically this development was almost certain to impact upon the stable political relationships built up over the years, between Scottish sub-national actors, the institutions of UK national government and those of the European Union (see Dardanelli 1999; Lynch 2001: 147-165; Sloat 2001: 1-5). In the context of these changing relationships, this chapter considers the framing of EU regional policy, and how the Commission's role in this process mobilised sub-national actors in Scotland. In linking these developments with the political and policy choices of key actors and political coalitions in Scotland, this case study seeks to address the extent of the causal contribution of the Commission to sub-national mobilization there, and to define more accurately the form that activity takes.

Within the UK, decentralization was already under way in 1999. The Labour government under Tony Blair, elected in May 1997, was engaged in its long-promised devolution of powers to the Assembly of Wales and to the Scottish Parliament. Analysis of the specific new arrangements proposed for the programming period 2000-2006 in England and Wales lies outwith the scope of this chapter but, in relation to devolution in Scotland, there were and are particular problems for the UK national government. Sub-national actors/authorities in Scotland had, as illustrated in earlier chapters, a long history of involvement in regional development programmes supported by the European Regional Development Fund (ERDF). These actors had established relationships with their territorial office (the Scottish Office), with the European Parliament, the European Commission and with their English and European counterparts in intra-regional and inter-regional organisations (bodies comprised of representatives from regional and local government).

Relationships such as these characterized the pattern of local government in Scotland prior to 1997 (see Paterson 1973; Gyford 1985; Keating and Waters 1985; Rhodes 1987).

Regional policy is included in the areas in which power is devolved in the UK. But in EU terms national governments make the decisions on how regional policy is framed (formulated and designed) for their respective territories. One of the effects of devolution in the UK was that decisions on EU regional policy framing in Scotland were allocated by Westminster to the Scottish Parliament and Executive. In the wider context, the constitutional changes and the revision of organisational structures (which inevitably accompanied such a transfer of powers from UK government to the Scottish Parliament and Executive) produced a new group of sub-member state actors anxious to make their mark on governance and policy in Scotland. Developments such as these were almost certain to impact upon the long-standing relationships already in place prior to 1999.

Since devolution, documentation in the form of transcripts of meetings of the Scottish Affairs Committee at Westminster, and reports from the Scottish European Committee of the Scottish Parliament, suggests that there have been at best 'squabbles' and, at worst open 'turf wars' between Westminster and Holyrood over competencies in European affairs (House of Commons 1999: Para. 48; Bulmer et al. 2001; Lynch 2001: pp. 137-139). The most contentious issues arose in the first instance in relation to EU regional policy and the structural funds, which was hardly surprising as no political landscape would be complete without some element of struggle over power and resources. One aim of this chapter is to assess how and by how much devolution affected the process of sub-national mobilization in Scotland.

It is acknowledged here that interactions between central states and the EU may be significant catalysts of sub-national mobilization. But a focus fixed too firmly on the *vertical* levels of decision-making often risks failing to uncover what is actually taking place within states in the hinterland of politics and policy in which sub-national actors are embedded. More interesting and more germane to this inquiry therefore will be the political choices made, first by the drafters of the devolution settlement and second, by sub-national actors in Scotland to whom powers were devolved. In theoretical terms, this chapter will argue that sub-national mobilization, and how it is encouraged in a territory, is more accurately reflected in an examination of that territory's decision-making and policy-making *ideas* (its polity ideas and its policy ideas). The framing approach will be applied

to EU regional policy in Scotland in three ways: as the product of decisions of governments; as a programme underpinned by conceptual notions which imply *horizontal links* such as partnership; and finally as outcome.

8. 1 Devolution in Scotland

Theoretical reprise

Some would argue that it remains unclear whether or not the activity of sub-national actors in the EU regional policy sector has been translated into real influence or impact in the overall decision-making process (see Allen 2000: 260-262).[1] Others, such as Pollack (1995) look at the wider context of European integration to establish the extent of control retained by member states.[2] Jeffery (2000: 2) takes a different line and argues that some of the most influential channels of access to the EU decision-making process often exist within the member states themselves. Thus, the degree to which sub-national authorities can influence the policy process is highly dependent on the levels of influence enjoyed within their respective domestic settings. This is a critical point. But in order to find out exactly what Scottish sub-national actors are doing in this policy sector and why, the focus needs to shift from deciding that action is necessary and desirable at EU level (as outlined in *Agenda 2000*) to how decisions are taken over the allocation of funds *within* member states. How this is achieved depends largely on the importance and meaning that relevant actors give to the partnership principle.

The partnership principle was intended to alleviate territorial asymmetries and to guide the development, implementation and monitoring of structural fund programmes. The structural fund reforms of 1993 and 1999 retained the principle and on each occasion broadened the partnership base by including additional groups of sub-national actors for consideration as partners. Increasingly non-state actors from the private and voluntary sectors have been encouraged to become involved, adding a horizontal dimension to the

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[1] Allen expands on the point made by Bache (1999: 40-42), that the transitional arrangements put in place prior to enlargement (providing something for everybody) leaves member state governments in a stronger position than before, appearing to confirm the 'renationalisation' of control of structural fund expenditure.
[2] Pollack (1995) highlights the view expressed by Moravcsik (1994) that the question of regional/sub-national mobilization is part of the larger debate on the effect of European integration on the states and regions of the EU. Integration, it is argued, has strengthened the nation state *vis-à-vis* other domestic actors such as regions in Community policy-making generally, largely because of the 'elite cartel' nature of Council decision-making, and the transfer of sovereignty to the Commission and other supranational actors in areas such as trade and competition policy.

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multi-level partnership between the Commission, central government and sub-central government.[3] Partnership has the effect of bringing together public, private and voluntary actors within targeted regions, in the first instance, to formulate their policy design. The impact of the change explained below was to enhance the role of local government in structural fund partnerships (Bache and George 2000). In 1999, the Commission framed EU regional policy (issued a blueprint regulatory framework) in the context of the normative ideas, aims and objectives set out in *Agenda 2000*. The ideas promoted by the Commission (social inclusion, sustainable development and equal opportunities) formed part of the challenging policy agenda facing politicians and practitioners in post-devolution Scotland. These actors had, and continue to have to make decisions on how policy should be framed.

The new order

A central element of the package of constitutional reforms introduced by the Labour government, in the wake of its 1997 election victory, was devolution of powers to Scotland and Wales. Successful referenda on devolution in both countries, held within six months of Labour's coming to power, delivered the promised Parliament and Assembly respectively. In England, the *status quo* remained in place, but greater participation of local authority councillors in structural fund partnerships was encouraged, while at the regional level progress was made towards creating a strategic authority for London, and Regional Development Agencies throughout the country (see Martin and Pearce 1999; Burch and Gomez 2002). It was envisaged that these agencies would improve regional development strategies.

Devolution gave rise to a number of key issues relating to the approach of the UK government to EU policy-making. All matters within the ambit of 'foreign' policy are reserved to the UK government, and that includes negotiation of EU policy. But in the case of Scottish devolution, a number of policy areas which had an EU dimension were devolved, almost by default, in that they were not reserved to Westminster. These included

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[3] Up to 1997, central government in the UK had taken the view that implementation of the structural funds should be considered an administrative task and as such should be left to officials rather than to politicians (see Rhodes *et al.* 1996). The Conservative government had resisted the idea that implementation left considerable scope for changing policy outcomes (that was a process for prioritising development initiatives which often involved value choices). But shortly before it lost the May 1997 election, the government conceded the argument that the implementation process was intrinsically political, and took the decision to allow elected local politicians to participate in the process.

agriculture and fisheries, regional policy and environmental policy. The resulting overlap of policy competencies between different levels of government, and the government's commitment to involve the devolved administration in the domestic EU policy process (Scottish Office 1997: 14) meant that the new order brought about changes in the political landscape in both polity building and policy making, in several areas. These include:

- rules governing the constitution and the framework of government
- formal structures, such as re-allocation of offices and key positions, resources and personnel
- processes by means of which policy decisions might be made and policy delivered
- the normative context within which change in each of the above might be satisfactorily accomplished

Constitutional change

Scottish local authorities have ceased to be part of the UK government, and are now accountable to new political masters in Edinburgh. Scotland has a Parliament in which Labour and the Liberal Democrats initially formed a coalition,[4] and a European Committee, tasked with the scrutiny of EU legislation and its legislative processes. The subject committees of the Scottish Parliament are the smallest but potentially the most powerful in Western Europe, combining the standing and select committee functions of Westminster, as well as possessing the right to initiate legislation. These committees are also invested with a unique supervisory role in relation to the preparation of executive (government) bills and, distinctively, perform a linkage function between state and society (see Arter *et al.* 2000). The devolved authorities must be involved in the UK European policy process simply because so much of the substance of EU policy impacts on devolved sectors.[5] Thus the creation of these new structures was intended to enable the devolved administration to have an input into UK European policy without, it was hoped, undermining the perceived strengths of the UK policy arrangements at the time. Such action was taken as part of an overall view held by those involved in the preparation for devolved government in the UK, which is that any weakening in the UK consensus over European policy might adversely affect the UK's ability to negotiate with its EU partners from a position of strength (see Bulmer *et al.* 2001; Sloat 2001).

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[4] See Scottish Executive (1999) *The Coalition Agreement: The Partnership for Scotland.* This document outlined the main objectives of the government in the various policy areas of the Scottish Executive.
[5] In 2002, 80 per cent of Scottish competences were covered by EU legislation (Peacock 2002).

The Scotland Act (1998: Para. 39) provides for the establishment of a Scottish Parliament and administration, and other changes in the government of Scotland. Substantive areas of power continue to be reserved to Westminster, namely: home affairs, energy, employment and European negotiations. Officials of the Scottish Executive remain part of the unified Home Civil Service. Their retention in the unified service was an explicit part of the Blair government's devolution policy (Parry 2000: 57). Among the reasons offered for this move is that it facilitated the transition of staff to the new arrangements, as a unified civil service has traditionally been seen as an adhesive force for UK-wide policy processes.

The White Paper "Scotland's Parliament" (1997: Paras. 1-3) makes clear that the Secretary of State for Scotland now has an altered role in the new order, which includes sponsorship of the devolution settlement. But in his specific reference to the Scottish Parliament, Secretary John Reid's language was interesting:

> Under this government, the United Kingdom is a true partnership, it is a partnership which, I believe, benefits Scotland and the rest of the UK and it is a partnership which enables Scotland to play a leading role at the Scottish and at the United Kingdom levels. It is truly a partnership of Parliaments; it is that very word partnership which underlines and underpins the devolution settlement.
>
> (House of Commons 1999: Para. 2)

The Scottish Parliament

The establishment of a unicameral Parliament brought particular challenges for the Scottish Parliament and its elected members. Because the Parliament lacked a second chamber to act as a revising mechanism in relation to government legislation (such as those of the House of Lords or the Senate) its committees have chosen to fulfil this function.[6] The European Committee of the Scottish Parliament scrutinises proposals for EU legislation and advises the Executive and the Westminster Parliament of its conclusions in cases with a Scottish significance. This process represents a significant increase in the time previously allowed for oversight, debate and examination of these matters at Westminster. Membership of the Committee is drawn from other parliamentary committees, helping to ensure that its work relates to the policy priorities of the rest of the Scottish Parliament. The architects of the devolution settlement envisaged that the Scottish European Committee would be involved in dual processes, that is to say *intra*-parliamentary scrutiny

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[6] It should be noted that the Parliament *chose* this role for itself; it is not prescribed in the Scotland Act.

and *inter*-parliamentary scrutiny. In terms of the former, the Committee sends EU documents to other subject committees such as those for Health, Community Care or Enterprise and Life-long Learning to enable more specialist scrutiny. The procedure, however, compromises the feasibility of *inter*-parliamentary scrutiny between Holyrood and Westminster. The time taken makes it difficult for a Scottish opinion to be formed speedily on either devolved or reserved matters (which may crop up from time to time).[7]

The First Report of the European Committee on scrutiny of European documents, covering October 1999 to 25 January 2000, reflects some of the difficulties encountered on the ground in relation to operating systems (see Scottish Parliament 2000b:182-183). Members of the Committee (Labour and Conservative) have acknowledged that the bedding down process was fraught with difficulty.[8] One reason offered by a member of the Committee was that levels of expertise in European matters varied across the membership. Some members came from a background in unitary authorities which (after the demise of Strathclyde Region) had to take on, in European terms, a lot of work of which they previously had had little or no experience.[9] It was recognised that, much of the strategic work had traditionally been done by the Convention of Scottish Local Authorities (COSLA) or the European Partnerships.[10] Overall, as one member stated: 'I would have said that the Parliament struggled at first, through the European Committee, trying to find a sort of "niche in the market", if you like'.[11]

Parliaments and partnership

In spite of all the fine sentiments expressed at Westminster, by the Secretary of State for Scotland, the new 'partnership of parliaments' between the Scottish and UK legislative bodies almost fell at the first hurdle. This was due, in part, to the fact that, in the spring of 2000, the Scottish Parliament's European Committee announced its intention to conduct an inquiry into European funding, that is to say the position of Scotland in relation to

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[7] For a full discussion of the problems experienced by the European Committee of the Scottish Parliament in respect of scrutiny see Carter (2000).

[8] Details from interviews with members of the European Committee of the Scottish Parliament 20 April 2001; 20 May 2001

[9] This lack of European experience was compounded by the fact that few if any of the members had any parliamentary experience. One member of the European Parliament expressed the view that these two factors combined were the root cause of the Committee's faltering start (interview 25 May 2001).

[10] COSLA was established in 1975 as the sole representative organisation of Scotland's district and regional councils. All Scottish councils were members of COSLA in 1999, and the organisation exists' to promote and protect the interests of councils in Scotland by providing a forum for discussion of matters of common concern (http://cosla.gov.uk).

[11] Interview with member of the European Committee of the Scottish Parliament, 20 April 2001.

European structural funds (see Scottish Parliament 2000c). The impetus behind the Committee's investigation was in part due to developments on a similar subject in Wales. The Welsh Assembly was in process of examining issues relating to the financial settlement between the UK government and the devolved institutions. The underlying principles and financial mechanisms (chiefly the Barnett formula) relating to the settlement were an integral part of the subject matter to be investigated. Consequently the Finance Committee of the Scottish Parliament also agreed that an inquiry on their part would be necessary. The Committee Conveners agreed a delineation of issues, with ratification by both Committees. This agreement formed the basis of the terms of reference for the Inquiries.

The exchanges between then Secretary of State John Reid and other members of the Select Committee on Scottish Affairs at Westminster, on the vexed question of Reid's making a personal appearance to give evidence before the European Committee of the Scottish Parliament, are fully documented (House of Commons 2000: Questions 1-123). On 14 April 2000, the European Committee submitted written requests to the Chancellor of the Exchequer and to the Secretary of State. They were asked to make a personal appearance before the Scottish Parliament's European Committee, and to advise them as to how the structural funds were administered in relation to Scotland. Both Ministers' offices verbally declined the invitation. The main reason given by the Scottish Secretary of State was that he was a Westminster Member of Parliament and Minister, and accountable only to the Westminster Parliament. The Committee, therefore, had to proceed without his contribution, and set up its own inquiry (Scottish Parliament 2000c: 1-2; 20-23).

The key issues of concern were distilled into five main questions:

- Is Scotland receiving an appropriate share of the Structural Funds allocated by the EU to the UK?
- Should structural Funds be ring-fenced in the Assigned Budget?
- Are Structural Funds additional to domestic spending in Scotland?
- Is there sufficient provision for EU funding in the Assigned Budget?
- Is there sufficient match funding to co-finance the Structural Fund allocation?

A wide range of informed opinion was sought. The Inquiry considered documentation issued on the subject of funding policy by HM Treasury, written evidence supplied by the Secretary of State for Scotland, and information provided by the European Commission, as

well as various Reports issued on the subject of the structural funds by the Welsh Affairs Committee of the House of Commons.

After exhaustive questioning of the best political, academic and practitioner experts available to them, the European Committee finally pronounced itself satisfied over specific issues such as additionality, structural fund budgeting and the application of the Barnett formula (Scottish Parliament 2000c). It was a 'baptism of fire' for the European Committee of the Scottish Parliament: a steep learning curve in the processes of political behaviour. The exchanges between the 'parliamentary partners' brought sharply into focus the fact that devolution was and is an evolving process, and grey areas in respect of competencies continue to emerge. The effectiveness of productive effort in industry in Scotland is a classic example of a grey area. It is not written into the Scotland Act or the Concordats who is responsible for productivity. Better productivity can only be achieved by education (which is a Scottish issue) taken in conjunction with competition or industrial policy (which is a UK issue). Such issues require input from both sets of Ministers: they do not fit easily into competency 'boxes', and there are bound to be others in the future.

8. 2 Organisational change

Scottish devolution involves a form of legislative devolution with a separation out of Executive and Parliament (unlike Welsh devolution, where the original model did not specify a Cabinet, but made provision for the establishment of a Cabinet Committee). Both the Scotland Act (1998) and the Government of Wales Act (1998) (which led to devolution) reflect the idea of devolution as a process under structural conditions of asymmetry (see Carter 2000). The Westminster Parliament remains the primary legislature for Wales, and will continue to issue primary legislation for Wales. The new Assembly of Wales is a corporate body, with powers to issue only subordinate legislation. The Scottish Parliament, on the other hand, may legislate on all areas not reserved to Westminster, that is to say it may issue both primary and secondary legislation in devolved matters.

The Scotland Act automatically transfers some executive powers from the UK Ministers of the Crown to Scottish Ministers. These are powers which, it has been agreed, will only be exercised by the Scottish Ministers. Executive powers are retained by Ministers of the Crown only in those been reserved to Westminster. There is, however, a key group of

exceptions known as 'shared powers'.[12] These are executive powers shared by the Ministers of the Crown and Scottish Ministers. Where devolved matters are concerned, implementation and observation of Community law is a shared power (Scotland Act 1998: 57.1). The fact that the UK government has reserved EU decision-making powers in respect of devolved matters means there is a potential for Scottish interests to be marginalized in the European legislative process. But so far the line taken by the Scottish Executive is that it works closely with the UK government and other devolved administrations to develop the UK line.

The Executive and the bureaucrats

New positions with new powers and new resources attached are part of the Scottish model. Twenty two Scottish Executive ministers are now involved in policy-making alongside the Scottish Secretary of State. The fact that separate ministerial positions and powers have been created in Scotland has had an impact on the key civil service positions, whose holders have become accountable to Holyrood rather than to Westminster. Somewhat paradoxically, although the separate political mandates of the devolved administrations might seem to require a separate civil service, as has been the case in Northern Ireland, Scottish officials (along with those in Wales) have been retained as part of a unified Home Civil Service. In practice, this may in future give rise to tensions from a potential conflict of loyalties, but the intention was that a unified structure would act as a transmission belt for the 'roll-out' of government initiatives, especially in the delivery of the Modernising Government agenda (Parry 2000:57). There are also implications that some aspects of personnel management and career progression, particularly at senior levels, may maintain the Whitehall orientation of devolved officials. One or two key civil servants engaged in the management of EU structural funds, indicated that this was not the case. They saw themselves as essentially Scottish civil servants serving a Scottish Parliament and Executive.[13]

However, one seasoned observer in the EU regional policy sector suggested that, beneath the surface, civil servants in Scotland have had some difficulty in adjusting to the

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[12] For example, some policy areas with an EU dimension such as regional policy and fishing are devolved in the sense that they are not reserved by *name*. But negotiation on these areas at EU level is reserved to the UK government.

[13] This was made clear in unattributed conversations with two senior civil servants on 22 November 2000. Officials clearly recognise that in the first instance they are accountable to Holyrood.

requirements of the new political situation and the way in which ministers wished to handle their departments. The analysis he offered is interesting. He takes the view that there has been a change in relationships between civil servants and state practitioners in structural funds, though he takes care to point out that this scenario is at work in other fields too. Pre-devolution, civil servants could afford to be more 'cosy' with others involved in the policy field like the partnerships. That has now, he argues, quite clearly changed and people have had to adjust:

> It hasn't turned out particularly well in some cases...One of the most obvious signs of this is that information flows are no longer as good as they were... But, on the other hand, that does depend on which personalities are involved and the way in which a particular civil servant in a particular post feels that he or she wants to run things... So it's not always easy to distinguish between the effect of a particular personality in a particular post and the systemic changes... But it's fair to say that the information flow is not as good.[14]

These tensions have arisen, in part, because of concerns about the future of this policy sector in the light of enlargement. But in the wider context, pre-devolution the hard questions of policy design, the choices of resource allocation etc. were made principally, though not exclusively in London. Civil servants in Scotland had more latitude and flexibility: they could afford to be relaxed in their attitudes to other partners. Now, to some extent, the buck of accountability stops with them.

So far as the structural funds are concerned, the Scottish administration is entering a more politicised environment with the discussions taking place on the overall future of the EU regional policy. Civil servants are very much aware that the policy lines have to be fleshed out, and at present their cards are being held somewhat closer to their chests than was their custom. The degree to which the current structure will survive or should survive is a debate which will be discussed in Chapter 9.3.

The Executive and partnership

In terms of EU regional policy and the structural funds in Scotland, the Scottish Executive, in line with the Scottish Parliament, has publicly expressed enthusiasm about the concept of working in partnership.[15] Indeed, it is formally committed to working in partnership with

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[14] Interview with policy expert, 13 May 2002. His view confirmed opinions expressed earlier on the subject of the behaviour of civil servants in the Scottish Executive by an official in the Strathclyde European Partnership interviewed on 29 May 2001.
[15] See Scottish Executive (2000a)

local government, under a working agreement established between local government and the Scottish Ministers.[16] Officials involved with the structural funds in Scotland take the view that the partnerships have worked by bringing together the eventual beneficiaries of the programmes: the local authorities, the Enterprise networks, Higher and Further Education, the social partners. As one civil servant in the Scottish Executive put it:

> Essentially much of the work has been decentralized. The partnerships have played a very important role in decentralized management. They, the bodies, come forward, they co-finance, they actually know better than anybody sitting in Edinburgh or Brussels what's happening on the ground. So the model we have in Scotland is one of decentralized management involving the final beneficiaries who create the partnerships...the partnerships have had different forms and different ways of working, but ultimately we think they are relatively successful.[17]

When asked why the partnership model had been chosen for Scotland, Scottish Office officials pointed out that the alternative was one of pure administration at the regional or local level for managing the structural funds programmes. In England, the structural funds programmes are not managed by partnerships, but by Government Offices in the Regions (GOs). The programmes at the time were part of the portfolio of the then Department of the Environment, Transport and the Regions (DETR), and the Regional Development Agencies (RDAs). A key function of the Agencies is to work with the GOs in formulating the Single programming documents, but little formal responsibility for structural funds has passed to the RDAs (Burch and Gomez 2002: 771). Central government control over these organisations remains tight, and more linked to the structures of UK government than is the case in Scotland, where the implementation of decisions taken in Brussels has been allocated by Westminster to the Scottish Executive. In structural funds implementation it operates as the nationally accountable body in managing the funds, and the Executive's position is akin to those of governments in the Lander in Germany. But whereas the Lander governments manage their programmes themselves, the Executive decentralises the management and has four geographically-based programmes.[18]

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[16] In this document, "the Executive" means the Scottish Executive, i.e. Scottish Ministers and the Civil Service which supports them; and "Local Government" means the 32 Councils constituted under the Local Government Acts and COSLA as their representative organ (see Scottish Executive 2000b).

[17] Interview 21 Nov. 2000.

[18] Programmes are Objective 1 (Highlands and Islands), Objective 3 (Lowland Scotland) Objective 2 (East, West and South Scotland) and Rural Development Programme.

In the wider context of European government/governance, Scotland's situation is complex. In constitutional terms it is not directly comparable with the Lander, because Scotland's institutional autonomy has been delegated by the Westminster Parliament (there is no UK equivalent to the Basic Law in Germany which formally allocates sovereign powers). What exists in Scotland has been categorized as a functioning but weak tier of regional government (Hooghe and Marks 2001: 200). Devolution laws entail limited machinery for executive co-operation (as in the cases of EU regional policy and the Common Agricultural policy) but in the UK there is no second chamber such as the Bundesrat, and no regional representation in the Westminster Parliament. The Scottish Executive operates at the 'sub-member state' level in both EU and UK contexts. In other words, in the reserved areas it is below national government level and above local government level. In devolved areas, it is accountable only to the Scottish Parliament and is responsible for the conduct of local government.

Local government in Scotland

Local government and their umbrella body the Convention of Scottish Local authorities may have had real concerns as to what the consequences of devolution might be for them. But Councillor Christine May, European and International Affairs Spokesperson of the Convention of Scottish Local Authorities (COSLA) firmly rebutted any suggestion that local government's voice had been weakened as a result of devolution Addressing a conference on local government and Europe after Scottish devolution, she said:

> It is our view that the creation of the Scottish Parliament has provided a major public forum for debate, while the creation of the 22 member Scottish Executive has lead to the adoption of a series of new strategies that have helped close a number of policy gaps and are starting to secure a comprehensive, integrated approach to EU affairs across the government of Scotland, its agencies and the wider public sector.

(May 2000)

COSLA's Head of Policy and Corporate Strategy, for his part, took the view that the Scottish Executive, when selecting partners for joint working, recognises that there is a body of expertise in local government: 'The body has existed since 1975, and there is a

continuity in terms of what we're about - championing strategic issues of local government and a track record of involvement in [structural] programmes'.[19]

But devolution, when first established, had been seen as a potential threat to the Programme Management Executives' composition, because there was some discussion as to whether the management of the structural funds should be brought within the Scottish Executive, in the same way as it had been in Wales in the Objective 1 Programme.[20] Any such move would have effectively removed partners such as local authorities from the PMEs. In the event, in an early example of the Executive's commitment to collaborative working, local government played an important role in the Steering Committee, which focused on strategic issues surrounding Programme Management Executives (PMEs), how they should operate and how they should co-ordinate with each other (Scottish Executive 2000c). Briefly, the Committee's remit was to make recommendations on the roles and responsibilities of the Scottish Executive, the PMEs and the partners under the new round of Structural Funds, and to identify and propose solutions to overlaps and gaps in provision. COSLA's contribution was to define the core of an agreement involving each PME and the Scottish Executive, and the various responsibilities on each side. The role of each of the partners in activities such as programming and planning, evaluation and monitoring, financial information provision, accountability and auditing and communication flow is laid out in great detail (Scottish Executive 2000c: 10). The purpose of this process-mapping exercise was to make clear what the respective relationships were and are. Sub-national actors in the local government umbrella group played an integral part in helping to codify the role of partners, the role of Programme Executives and the role of the Scottish Executive.

Mobilization of sub-national actors may have *started* around access to structural funding, and the emphasis put on policy delivery at local level: this process arguably raised the profile of local government. But some of its more experienced officials have indicated that

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[19] Interview 5 Dec. 2000. From a European perspective, the value of the body of knowledge and experience, which exists within Scottish local authorities, was very substantially underlined in an interview with an official of Scotland Europa, 18 June 2001(a).

[20] In Wales the First Minister has overall responsibility for EU policy. The Executive has much more control than in Scotland. For example, it chairs the European Committee and a small sub-committee (Wales in the World) focuses almost exclusively on Objective 1 and the structural funds.

mobilization has become something more sophisticated.[21] As a group, local government is every bit as interested in urban policy or European spatial development policy, or social policy as it is in EU regional policy. These actors work closely with, and meet on a regular basis, representatives of local government elsewhere in the EU, in order to share policy ideas, information, knowledge and experience. Involvement in the EU regional policy-making process has been mobilising local government actors in Scotland, insofar as constitutional arrangements permitted, since the mid 1970s. They have consistently sought to enhance their role in EU policy decision-making and implementation.

8. 3 *Agenda 2000* and Scotland

Policy decision-making

The changes brought about by devolution and the new order in Scotland's political landscape can also be detected in Scotland's policy landscape. Responsibility for the implementation of EU regional policy and the structural funds in Scotland has passed from the Scottish Office (the territorial office of UK government) to the Scottish Executive. Devolution and the creation of the new Scottish Parliament have meant that while the Scottish Executive could continue to learn lessons from the past: '...we have an unprecedented opportunity to change attitudes and priorities, and strengthen our distinctive Scottish approach to the implementation of Structural Fund Programmes' (Mackay 2000). In other words, Scottish sub-national actors can incorporate their own policy ideas into the programmes. The Scottish Executive aims to achieve a strategic 'policy fit' between Scottish policies and the aims and objectives of *Agenda 2000*.

The new regulations for reform of the structural funds, which came into force in 1999, represent a policy framework designed by the Commission and agreed by the member states, which leaves open the possibility of active sub-national involvement in the sector. The framing of the 'new look' regional policy is crucial in that the policy's aims and objectives arguably mirror economic development principles subscribed to by both the Commission and member states (as discussed in Chapter 7.3). The Commission has insisted that issues such as equal opportunities, sustainable development and social

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[21] Details from a series of interviews with highly experienced local government officials and ex-members of the Committee of the Regions on 4 February 1998; 5 February 1998; 11 February 1998; 25 March 1998; and 5 December 2000.

inclusion are of critical importance. These are horizontal themes, which must be addressed in all structural fund programmes. This insistence by the Commission on their inclusion represents the projection of European policy ideas into the domestic arena. By identifying these issues in the context of the programmes the Commission hoped to raise the profile of these and other *cross-cutting themes* (such as social justice) thus encouraging governments at all levels to examine these objectives in the light of their own domestic priorities.

In 1999, structural funds were already major policy drivers in addressing a number of Scottish policy priorities, according to then Scottish Finance Minister Angus Mackay. Scotland's allocation of funds for the period 2000-2006 amounts to £960m (Mackay 2000). The Scottish Executive's intention was, and is, to use the funds to progress cross-cutting themes as described below which are common to both the new structural fund programmes and wider Scottish Executive aims and policies. Central to the design of *Agenda 2000* is the theme of 'local development', which is defined as a development process based on the use of local resources through integrated actions by various local actors. In Scotland the theme is reflected in the concept of 'community planning' (Scottish Office/COSLA 1998; Watt and Colwell 2000).

Community Planning is the term given to the process by which a local authority and other organisations come together to promote, plan and provide for the well being of the communities they serve. It is a mechanism for partnership working between public, private and voluntary sectors, encouraging a co-operative approach to develop an agreed Strategic Vision and the tools to deliver it. All five Scottish programmes being developed for the period 2000-2006 made reference to the use of Community Planning as one of the means to reinforce partnership working at a local level between different agencies. Community Planning was being explored to align the structural fund programmes and EU/Scottish policy together in a flexible manner. As part of its work programme, the National Community Planning Task force set about examining the relationship between the new structural fund programmes and the Community Planning process and considering how such links might be deepened. Community Planning shares many common features with the structural funds programmes including:

- An agreed Strategic Vision for the Community Plan
- A link to the strategic context set by the EU, Westminster legislation and the policy priorities of the Scottish Executive

- A link to existing plans and priorities established at the local level, such as Development and Local plans, Local enterprise Company (LEC) strategies etc.
- Extensive community involvement in the shaping of the Community Plan
- A process of annual review of the Community Plan
  (see **Diagram 8.1** over)

The cross-cutting themes identified by the Scottish Executive include social justice and social inclusion, and the way in which policy drafters envisage creating a strategic fit between *Agenda 2000* aims and objectives and those of Scottish policy-makers is demonstrated in **Diagram 8.2** (p. 193).[22] The nexus of Scotland's EU regional policy formulation and design is the concept of partnership.

Partnership in policy decisions

The response from sub-national actors in Scotland to *Agenda 2000* and the 1999 reform of the structural funds has, not surprisingly, been extremely enthusiastic.[23] The Scottish experience of administering structural fund programmes already involved the use of a partnership model developed over a decade from establishment of the first Programme Executive in the former Strathclyde Region in 1989.[24] Thus the concept is one to which sub-national actors in Scotland are accustomed. The model has worked well. In 1995: 'The Commission was so persuaded of its [the Scottish model's] merits that it ended up encouraging all the other Objective 1 and 2 regions in Britain to include something similar in their plans' (Turok 1997: 69). Thus the European Commission has publicly acknowledged that the Scottish model is effective, and an efficient approach to programme management and implementation. In addition, academics and practitioners conducting studies in the field confirm the view that partnership working was broadly based and fully reflected the interests and concerns of the Scottish sector.[25]

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[22] It should be noted that cross-cutting policy approaches are not new in Scotland. Government and delivery agencies have long recognised the usefulness of joint working. However, the scale of cross-cutting activity underway in 2000, driven by the Executive, meant that the policy implementation 'machine' was struggling to cope. The Executive needed some fine-tuning to avoid compromising implementation, see Hogg. (2000)

[23] See opening speech given by Councillor Christina May, European and International Affairs Spokesperson, COSLA, at COSLA Structural Funds Cross-Cutting Themes Conference, Edinburgh, 13 November 2000

[24] Chapter 6 provides comprehensive details of the Scottish experience in the Strathclyde Integrated Development Operation, used as a training ground for many sub-national actors.

[25] The view of Turok (1997) on the effectiveness of the Scottish model is supported by Bache and George (2000); by an unattributed interview with a Commission official, 19 June 2001 and by interviews with academic colleagues on 2nd May and 16 May 2002.

Diagram 8.1

Community Planning: Relationship between the EU and local levels

EU

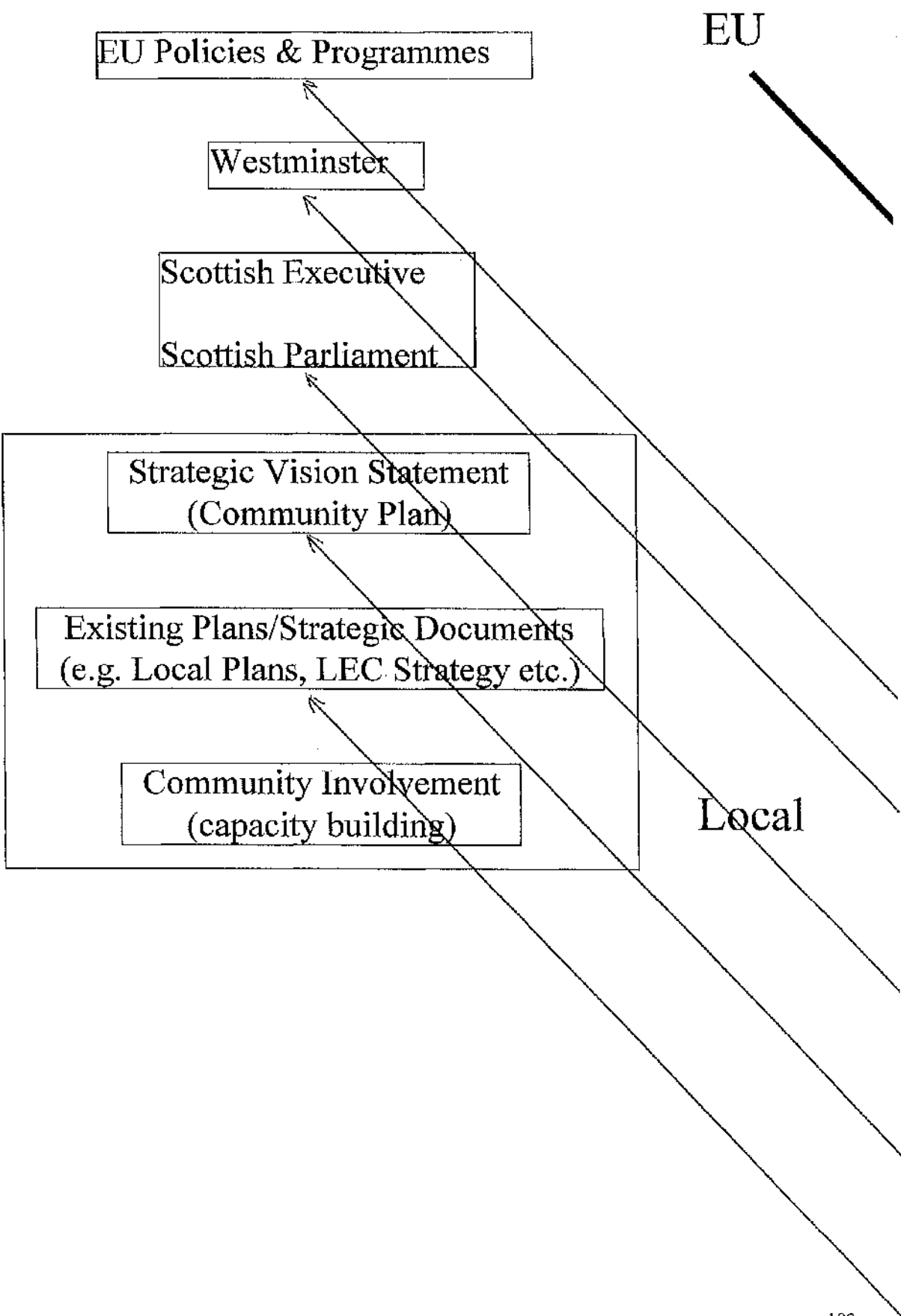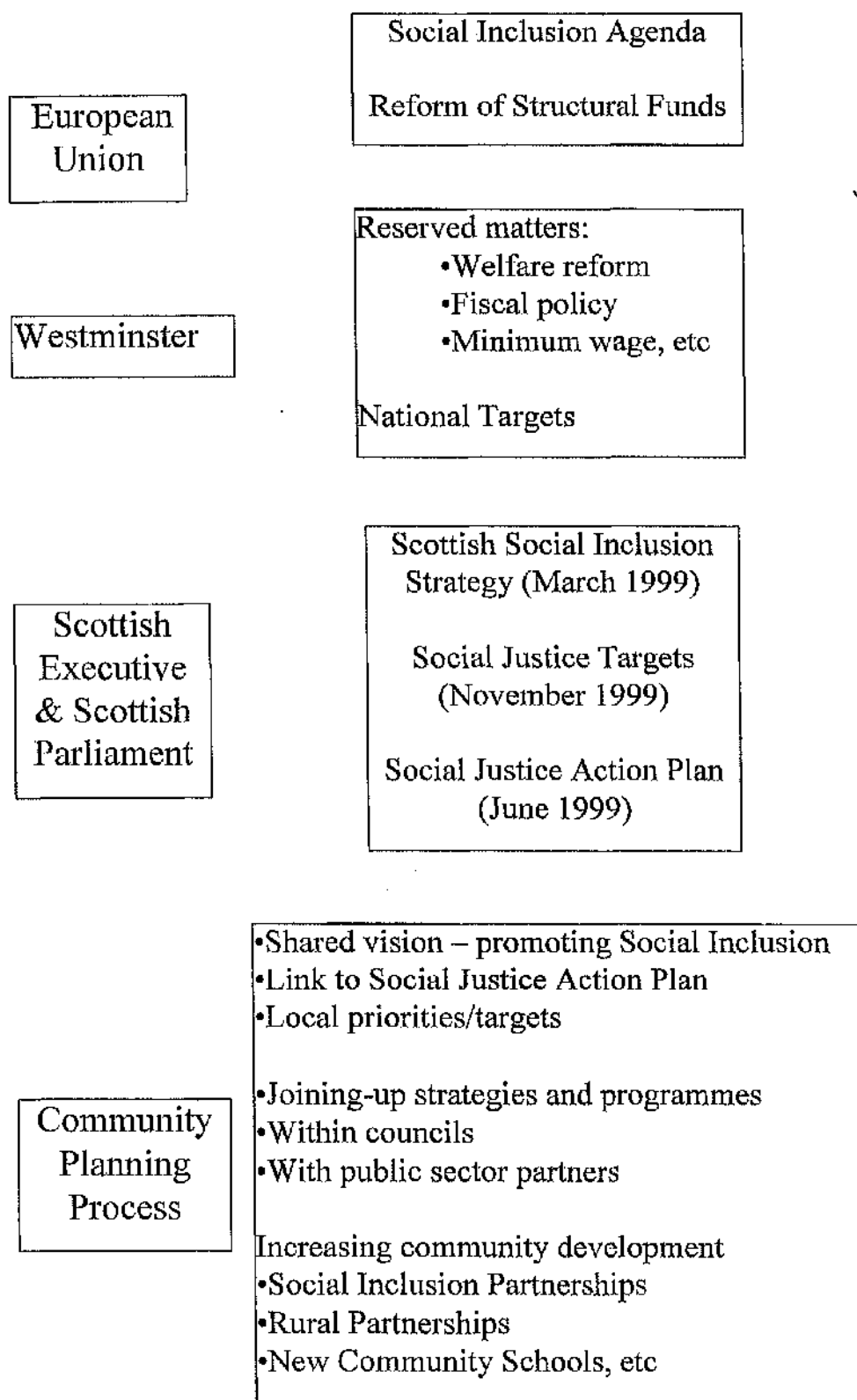| EU Policies & Programmes |

| Westminster |

| Scottish Executive |
| Scottish Parliament |

| Strategic Vision Statement (Community Plan) |

| Existing Plans/Strategic Documents (e.g. Local Plans, LEC Strategy etc.) |

| Community Involvement (capacity building) |

Local

Diagram 8.2 **Joining-up Social Inclusion at All Levels**

European Union	Social Inclusion Agenda Reform of Structural Funds
Westminster	Reserved matters: •Welfare reform •Fiscal policy •Minimum wage, etc National Targets
Scottish Executive & Scottish Parliament	Scottish Social Inclusion Strategy (March 1999) Social Justice Targets (November 1999) Social Justice Action Plan (June 1999)
Community Planning Process	•Shared vision – promoting Social Inclusion •Link to Social Justice Action Plan •Local priorities/targets •Joining-up strategies and programmes •Within councils •With public sector partners Increasing community development •Social Inclusion Partnerships •Rural Partnerships •New Community Schools, etc

The aims and objectives of *Agenda 2000*, as well as its horizontal themes, have created a resonance within the new structures and organisations in Scotland. The degree of commitment to the partnership principle, openly expressed by the Scottish Parliament, the Scottish Executive and Scottish local government alike, is reflected in the way in which these bodies have set about the formulation and design of policies for the devolved sectors, and preparations for the 2000-2006 programming round for the structural funds.

Two key political documents set the Scottish national policy context for preparing the 2000-2006 programmes. These documents were:
- *Partnership for Scotland* and
- *Making it Work Together* - the programmes for government agreed between the members of the Labour-Liberal Democrat Coalition.

A close relationship is established in these policy papers between the priorities contained in EU programme guidelines and a variety of Scottish Executive strategies (see **Box 8.1**)

Scottish Executive policy strategies
Box 8.1

- Social Justice for Scotland: eliminating disadvantage and deprivation

- Social Inclusion Strategy: tackling poverty and ensuring the best environment for children to grow up in. New Social Inclusion partnerships to support the regeneration of some of Scotland's most deprived neighbourhoods

- Opportunity Scotland: the promotion of equal opportunity and community involvement

- Skills for Scotland: fulfilling potential in terms of employment opportunities

- Scotland: Towards the Knowledge Economy: aiming for a better understanding of technology, globalisation and more prosperous and demanding customers

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Major emphasis has been placed on the policy connection being made between the European guidelines for the new programmes, the policy priorities of the Scottish Executive, and those of national bodies such as Scottish Enterprise, the Scottish Voluntary

sector and the social and economic partners. All of these Scottish sub-national actors were and are involved in policy decision-making at national [Scottish] and EU level.[26]

In a further development, on 15 September 1999, the Enterprise and Lifelong Learning Committee of the Scottish Parliament began an extensive inquiry into the delivery of local economic development services in Scotland. The Committee's Final Report concluded that a new structure should be introduced for local economic development in Scotland. A key tool in assisting the Executive in this process would be a fully developed Economic Framework for Scotland (Scottish Parliament 2000a: 5). The final draft of an Economic Framework for Scotland was launched by the Deputy First Minister and Minister for Enterprise and Lifelong Learning on 29 June 2000 (Scottish Parliament 2000a: Vol. 1)

The document represents the final piece of the policy context developed by the Scottish Executive and will have a significant impact on the development and implementation of the five structural fund programmes for the period 2000-2006. The Draft Economic Framework shares a number of common principles with the structural fund programmes, most notably that programmes are developed and implemented as partnerships comprising the Scottish Executive, the five programme management Executives for each programme and the national [Scottish] and local partners.[27] Policy setting decisions on both EU and domestic Scottish regional policy are being made after wide consultation with these partners.

Partnership and policy implementation

This section of the chapter deals with the processes and procedures set up for the effective administration of EU regional policy. It illustrates how the formal mechanisms for collaborative working among the partners set out in the Report of the Steering Committee on the Programme Executives have been followed up by further action. The Committee felt that as well as partners having a close involvement in the day-to-day implementation of the structural funds programmes, there ought to be an annual Scotland-wide review of

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[26] For a list of partners included in a written consultation exercise prior to publication of the *Report of the Steering Committee of the Review of the Programme Management Executives* see Scottish Executive (2000c: 21).

[27] During phase 1 of the Inquiry of the Enterprise and Lifelong Learning Committee, from September to December 1999, it received oral evidence from 41 witnesses and written evidence from over 100 organisations and institutions. These included COSLA and individual local authorities; Chambers of Commerce; Federation of Small businesses; Enterprise networks; and training providers amongst others.

implementation as a whole. A high-level Scottish Structural Funds Forum was envisaged, which would be chaired by the Minister for Finance and Local Government, and would involve the Scottish Executive, the partner organisations and the European Committee of the Scottish Parliament. As a direct result, the Scottish European Structural Funds Forum was established. The Forum met for the first time on 9 October 2000. Its function is to provide a strategic overview of the structural fund programmes.[28] The partners are thus involved not only in implementation of policy but also in monitoring.

In the processes set up for policy framing in Scotland (that is to say policy decision-making and policy implementation) the documentation dealing with the machinery of policy-making which this chapter has drawn upon indicates a high level of involvement, in both domestic and EU policy, on the part of a wide range of sub-national actors. All of these institutions and bodies have a role to play in the policy landscape, and that is 'the official line'. But for a scholar actively interested in finding out how a policy works, documentary sources and (at times carefully orchestrated) public pronouncements rarely provide the complete landscape picture. As is the case in the study of the EU (discussed in Chapter 7.3 in relation to how polity ideas and policy ideas emerge) it is always advisable to 'mind the gap' between political rhetoric and political reality. In that respect, the Scottish polity is no different from any other. So, for the 'view on the ground', the section which follows turns to look at partnership in action and specifically at how and why, in their day-to-day activities, politicians, bureaucrats, practitioners and other participants are 'mobilised' to get involved in the policy process.

8.4 Partnership in action

The Commission

From a Brussels perspective, two events came together to change relationships with sub-national authorities and other local actors in the context of the EU regional policy-making process in Scotland.[29] These developments were the establishment of the Scottish Parliament and the re-defined role the Commission sought for itself in that particular policy

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[28] The Forum is now part of Scotland's policy process, and met on 12 November 2001 to review the strategic role of the Programme Monitoring Committees and the issues arising in the course of their work. It is another arena into which partners can feed their views and opinions on policy.

[29] This view was first expressed in an interview with a Member of the European Parliament (25 May 2001) It was confirmed later in an unattributed interview with a Commission official (18 June 2001(b) and again more recently in an interview with Professor John Bachtler, academic/policy expert on 13 May 2002.

sector. The Scottish Parliament and Executive have taken up the burden of monitoring and control previously shouldered by the Commission, and in the view of one official who has worked closely with the new bodies, the Commission feels it has benefited from having an interlocutor, i.e. the Parliament, which can: 'pull together a position on behalf of partners in Scotland'. As one senior Commission official put it:

> It's sometimes difficult for the Commission as an actor to work with maybe 32 local authorities who don't agree on a particular issue. It helps if there's a cognizant voice representing all the local authorities.[30]

That said, the Commission officials consulted feel that partnership has been important, both for it as an organisation and for sub-national authorities in Scotland.[31] Aside from the financial benefits, partnership has provided these actors with a broader perspective on what was happening in other member states and exposure to good practice.

In terms of involving a wider range of social partners, several Commission officials admit that bureaucratic procedures sometimes make it extremely difficult for the social economy to participate in the EU regional policy-making process. It is hoped that, in Scotland, the new 'capacity building' priority created with the purpose of funding organisations which had previously not had access to structural funds will alleviate some of the financial difficulties (see Chapter 7.3). Lack of co-funding is still, to some extent, a major obstacle to some organisations, and is the source of many of the complaints made to members of the European Committee by their constituents. One MSP's description of the process is as follows:

> I wrote to the Minister for a 'layman's guide' to accessing involvement in the EU, and they've never had one. I have four documents up there for structural funds plans, they're six hundred pages long and they're gobbledegook…I do think that the EU has been slightly good, the European Parliament in particular at [organising] events for voluntary groups and community groups…they're good at giving information…but at actually empowering these people - I wouldn't say things have changed.[32]

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[30] Interview 18 June 2000(b). This view from a Brussels perspective of the Parliament's value as an interlocutor is substantiated in an interview with a policy expert in Scotland Europa (Brussels) on 18 June 2001(a).

[31] Interviews with Commission officials based in Scotland and Brussels on 18 March 1998; 13 February 2001; 18 June 2001(a); 18 June 2000(b); 19 June 2001(c).

[32] Interview 31 May 2001. The point about difficulty in accessing the structural funds was made in other interviews. Specifically, by an official representing the Commission in Scotland on 13 February 2001; by a Commission official based in Brussels on 18 June 2001(b) and by a member of the European Parliament on 19 June 2001(d).

It would appear that poor communication about means of access to funding and information (on the part of both the Commission under President Prodi and the Scottish Executive) continues to be a problem. But in a broader context, from a Commission perspective, devolution has brought about an increased awareness of European issues in Scotland, simply by virtue of the fact that many of the policies sub-national actors are trying to work with (EU regional policy included) are shaped and influenced in Europe. This awareness is reflected in the views of partners on the ground, working outside the confines of the European Parliament, the Commission and the Scottish Parliament.

Strathclyde European Partnership

The Western Scotland Programme Executive (Strathclyde European Partnership/SEP) is the longest established independent secretariat in Britain.[33] It is a group of organisations which accesses European funds to carry out economic regeneration projects in Western Scotland and approximately 180 bodies are involved.[34] This regionally-based partnership is responsible for drawing up the funding programmes, allocating funds to eligible projects, and monitoring and evaluating their performance. The Executive arm of this partnership is a company, which currently manages four programmes of European Structural Funds, including both the European Regional Development Fund and the European Social Fund.[35] All of the partners in Western Scotland come together under the auspices of the SEP. The body is now the link organisation between the European Commission, the Scottish Executive and the other Scottish partners.

From its pivotal position, the Partnership has an overview of all the partners' functions. One of the advantages of the partnership model to which an official at this level pointed is that large organisations do not entirely dominate the policy process. There is space allowed for smaller organisations, such as those in the voluntary sector and the wider social economy. Such groups have been encouraged by this link organisation to use European

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[33] Bache and George (2000: 5) make the point that the term 'independent' is something of a misnomer. While the secretariat has some administrative autonomy from government departments, central government as the member state remains ultimately responsible to the European Commission for the successful implementation of structural fund programmes.

[34] These include the Commission, the Scottish Executive, local authorities and a wide range of other actors from the public and voluntary sectors.

[35] These are Western Scotland Objective 2 1997-1999; RECHAR II Community Initiative covering the coalfield communities of Cumnock; RESIDER II Community Initiative covering the Lanarkshire former steel industry and URBAN Community Initiative targeted on the areas of urban deprivation in Glasgow and Paisley.

funds to develop a niche in economic development they could not have secured without the flexibility of the funds. In addition, officials at the SEP see more and more actors becoming involved with policy-making:

> Now, a whole range of organisations that are grass-roots based are doing interesting work within community or voluntary organisations, that involve a whole range of people. That [situation] has built up, not just because of European funds, but built up a credibility [for these organisations] using European funds. They [the funds] and EU regional policy help the involvement of grass-roots organisations.[36]

On a less positive note, however, the Commission's decision to withdraw from some of its partnership responsibilities has had an impact on the ground. The feeling is perhaps best expressed by one official whose personal perception was that the Commission had become much less driven by people with a policy agenda, and much more driven by auditors and accountants. So, while fully understanding the Commission's rationale for its stance, this practitioner felt that, on a European level, good working relationships are more difficult to establish. For example, where previously Desk Officers remained in place for anything up to four years, they are now appointed on a 'temporary' basis. There have been two in succession, each appointed on a temporary basis, in the space of four years in Scotland. This frequent changing of personnel undermines the feeling of continuity previously enjoyed by some of those administering policy in the field in Scotland.

The Scottish policy landscape exists on a small scale, and the establishment of new joint arenas for consultation (such as the Programme Management Executives and the European Structural Funds Forum) suggest that players know and interact with each other politically, socially and personally to a degree less well developed in England, for example, because of its sheer size and the numbers of players involved.[37] In their reflections on the developments in the policy landscape, some Commission officials, Members of the European Parliament and others in the voluntary sector who were consulted identify two

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[36] Interview 29 May 2001. This point reiterates the view expressed in an interview on 1 May 2001 with an official working in the voluntary sector itself.

[37] This 'small scale' factor became evident in the course of conducting the interviews from 1998 to 2002, and the comparison between the situation which existed in Scotland and the regions in England emerged in the course of subsequent interviews (concerning general points of comparison) conducted with academic researchers who had conducted studies on the English regions: Interviews 26 April 2002; 2 May 2002; 16 May 2002.

root causes of unrest within the partnerships.[38] The first is reflected in allegations, on the part of some of the partners generally, that control of the structural funds is in danger of drifting towards Edinburgh and becoming centralised. The second is the perception on the part of local government officials specifically, that *their* role has not been allowed to expand under the Scottish Parliament in the way anticipated. It has, in fact, been restricted.[39] Much of the evidence offered at this stage was speculative, for example:

> I think you are going to find local government, as things bed down, becoming a bit more strident about defending *their* links *vis-à-vis* the Scottish Executive... You could easily see the Scottish Executive getting much more involved in, for example, education and transport policy, and I think local government will resist very strongly... I rather think there is going to be a wee power struggle between local and central [Scottish] government.[40]

The suggestion being made by some local authority officials to partner colleagues in private was that access to policy-making is gradually being 're-nationalised' in Scottish terms in Edinburgh.[41]

Enterprise agencies

Other partners, however, take a more sanguine view of their situation: among them, the enterprise agencies. 'The Enterprise Agencies, with their arms-length, market facing character, play critical roles in delivering change to the Scottish Executive'.[42] These are key players in the Scottish economy whose aim is to meet the challenges of raising productivity, encouraging entrepreneurship, raising skill levels and connecting Scotland to the rest of the world in an era of globalisation. Many of the larger networks are responsible for the control of huge budgets.[43] The agencies too employ a range of individual

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[38] Details from interviews with COSLA official, 5 December 2000; with Commission official, 13 February 2001; with official, voluntary sector, 1 May 2001; with member of the European Parliament, 25 May 2001; with official, SEP, 29 May 2001.

[39] This perception may be due in part to the fact that the promised reform of local government in Scotland as outlined in recommendations of the Mackintosh Report, in which the authorities roles and responsibilities would be extended, had not been acted upon by the Scottish Parliament and Executive at the time these interviews took place.

[40] Interview with a Scottish Member of the European Parliament, 25 May 2001.

[41] Many of the underlying concerns and tensions alluded to here have subsequently been articulated more clearly and more publicly in documentation, which will be discussed in Chapter 9.3.

[42] Ministerial Foreword by Wendy Alexander MSP, Minister for Lifelong Learning and Enterprise in *A Smart, Successful Scotland: Ambitions for the Enterprise Networks* (Scottish Executive 2001: 2-3).

[43] For example Scottish Enterprise Glasgow (known as Glasgow Development Agency up to April 2000) was established in April 1991. In 2001 a budget of £50.56m was allocated to Scottish Enterprise Glasgow to enable it to work in partnership with Glasgow City Council, other members of the Glasgow Alliance, and the Strathclyde European Partnership in projects such as the Glasgow Science Centre as a means of regenerating economic development in the city.

practitioners, with years of experience gained in what one of the Chief Executives describes as the 'partnership vehicle'. In the view of this key player, there is a definite awareness within these organisations of the role of the European Commission in providing the partnership vehicle in EU regional policy, and that institution's promotion of the raft of social strategies involving the partnership approach which subsequently emerged in Scotland.[44]

In terms of EU regional policy, the whole of Scotland at one time in the past decade had Objective status of one sort or another. As a direct consequence of this fact (*and in order to secure additional funding*) the aims and objectives central to that policy such as economic and social cohesion began to appear on the political agenda in Scotland. This shift was viewed by the official referred to above as being a very positive development. European regulations stipulate that certain themes such as such as social inclusion and sustainable development must be adhered to in Single Programming Documents, and much emphasis is laid on the partnership approach. He took the view that:

> As a consequence of European rules, much more positive attention has to be given to the horizontal themes. It also requires much more of a partnership approach...so clearly, because I believe in the kind of things that European partnerships were trying to achieve in terms of social and economic cohesion, I was satisfied that the existence of these rules began to force that agenda where these issues were not the agenda locally.[45]

In other words, the way in which EU regional policy was framed, i.e. formulated and designed and its objective criteria, enabled the agencies to move away, to some extent, from large infrastructural projects, and to concentrate more on local poorer areas identified by the partnerships. From a large agency perspective, European policy ideas are taken and translated into policy initiatives, which local beneficiaries think are important. This process has meant that, for example, the Single Operation Document for the West of Scotland could be written locally, reflect local concerns, highlight local opportunities and be sent over to Brussels having been written within the context of European parameters. The enterprise agencies would argue that processes such as this engender some sense of 'ownership of their own policies' in local people.

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[44] Interview with enterprise agency official, 23 May 2001.
[45] Interview with enterprise agency official, 23 May 2001.

The insertion of another tier of governance (the Scottish Parliament and Executive) into the EU regional policy-making process has left some of the less experienced partners, namely some of the voluntary sector and those involved in not-for-profit ventures such as Community Enterprise, feeling distinctly vulnerable. As one key player observed:

> There's an old African saying: "When the elephants [the Scottish Parliament, the Executive and local government] are making love, the mice [the economic and social partners] get trampled". I think that's the position a lot of 'not-for-profit' and voluntary organisations are in now. You have the elephants wandering around, jostling for position and we just stand around and try to avoid being trampled on, or worse, killed.[46]

The voluntary sector only really became a player when the 1993 reform of the structural funds allocated a tranche of money, which it and it alone controlled. These resources enabled the sector to grow capacity and to become quite adept in setting up and running a system. When such allocations were removed in the most recent reforms in 1999, and replaced by a 'capacity-building' priority, the sector, according to the above official, much fitter and healthier than in previous years.[47] As a result of this progress, experienced local actors have been able to contribute to the design of programmes for the period 2000-2006, and the social economy has been more fully integrated into these programmes than ever before.[48]

The voluntary sector now engages in debates on policy issues with other partners in arenas such as Programme Management Executive meetings, Programme Monitoring Committees or the European Structural Funds Forum. For some organisations it is enough just to get a seat at the top table. But, as one policy expert pointed out, bringing organisations into bodies *per se* does not necessarily make for community involvement.[49] Having people in the right bodies is important, and Monitoring Committees are among the most important.

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[46] Interview with official, voluntary sector, 1 May 2001

[47] The 'capacity-building' priority was created with the purpose of funding organisations which had previously not had access to structural funds. It is described in detail in Ch. 7.3.

[48] The social economy in Scotland is defined as a range of organisations. One of its key components is enterprise: the setting up of activities which make a profit which then is ploughed back into the business. There is a distinction between people involved in this enterprise activity to create employment, and those taking part in the wider voluntary sector where the issues are more concerned with social care or volunteering (for example the setting up crèches or canteen facilities for the homeless) an activity in which individuals give of their time without charge. Both types of organisation share a family resemblance, in that their format encourages social cohesion and inclusion (not to mention self-help), but they tackle these problems in different ways.

[49] Interview with academic policy expert, 13 May 2002

But unless at the point at which key decisions are being made (not just at strategic level) community perspectives are being brought to bear, then the strategic decisions are not necessarily going to bring about community involvement. What is required is the input of a different perspective, not that of the traditional organisational players, the agencies and local authorities, from which the PMEs recruit the majority of their staff.[50]

The complex nature of the problem needs to be understood before it can be tackled. For example, what is the reason for social exclusion? How do community bodies have to be set up? What problems do they have in surviving? What are the constraints on their activities? All of these issues have to be fully understood throughout the programming process. Representation of the voluntary sector in partnership bodies is important, and an important signal to other aspiring social partners, but theirs needs to be more than just a token presence. Their ideas, knowledge and experience need to be utilised. The partners in the social economy currently owe any increased involvement in EU regional policy to the way in which that policy has been formulated and designed by the Commission. But although they have a voice in policy decision-making and policy implementation, they still appear to have difficulty in making themselves heard.

Scottish trades unions

Trades unions in Scotland were virtually last to come to the partnership table and for a variety of reasons. Despite the fact that multi-level partnerships were established in the UK and Scotland after 1988, the trades unions were not invited to become involved. The Trades Union Congress (TUC) in UK, backed by the Scottish Trades Union Congress (STUC) in Scotland, lobbied the Conservative government of the day for the inclusion of trades unions in the partnerships. Partnerships, at that time, consisted mainly of central government, regional/local authorities and the Commission: the Conservatives were not interested in extending the base. Even after 1993, when efforts were made by the Commission to broaden the partnerships by making specific reference to 'social' partners (that is the trades unions and employers' organisations) these bodies failed to be selected as partners by the Conservative government. One of the most senior STUC officials at the

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[50] This view, that additional 'community' perspectives (such as those held by employees and employers in an area under discussion) brought added value to the process, was strongly supported in an interview on 20 May 2002, with a Scottish delegate to ECOSOC who also had served in an official capacity for a number of years in the Scottish Trades Union Congress.

time describes the unions' experience as follows:

> In 1993, there was a stronger requirement that there should be social partners involved on the Monitoring Committees, and here again we tried. But Ian Lang and Michael Forsythe didn't think it was valuable.[51] Although I was kept in by them saying: "We'll make sure you get the papers", and they used to send us the Single Programming Document, of course it was *this size*, [in other words - huge] and you hadn't been involved in any of the discussion leading up to it...you didn't understand the language so there was no way you could effectively comment.[52]

It has been argued that the Conservative government took the view that the structural fund committees dealt with operational issues, and so were more appropriate for officials with a 'non-political' background (Bache and George 2000: 15).

But the STUC was able, to some extent, to keep its finger on the 'pulse' of EU regional policy by means of indirect involvement, including informal meetings with the West of Scotland Partnership and the East of Scotland Partnership to discuss proposals for Single Programming Documents and to make submissions where it was thought appropriate. It might seem surprising that this indirect form of involvement continued in the West of Scotland even after the Labour government took power. The decision was taken, according to union officials involved at the time, on the grounds that the partnership was working well as it was, and that membership would be reviewed under the new programme, that is 2000-2006. It might be argued that in taking this position, the West of Scotland Partnership prioritised effectiveness over inclusiveness.[53] But finally on 12 June 2000, then Finance Minister Jack McConnell announced the streamlining of the Programme Monitoring Committees and, for the first time members of the trades unions and the private sector were included.

However there is, paradoxically, a downside to the trades unions' coming in out of the cold after so long, and for the most part it is caused by lack of resources. Since 1997, the STUC has been actively involved in all the New Deal strategic planning groups – a UK government-directed programme which involves partnership working. In addition, the

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[51] Ian Lang held ministerial positions in the Scottish Office in the mid-1980s under Margaret Thatcher's leadership. Michael Forsyth was Secretary of State for Scotland up to the time of the Conservatives' defeat in 1997.

[52] Interview with ex-Scottish Trades Unions Congress official, 20 May 2002.

[53] Interview with academic colleague Dr. Ian Bache who had researched this specific area of trades union involvement, 2 May 2002.

organisation has been involved with other partners in monitoring and evaluating new local partnerships – part of the Scottish Executive's plans to address some of the issues around social inclusion. In some instances, they effectively provide advice to ministers as to which partnerships should be funded. But the STUC, having proportionally much more slender resources than its UK counterpart has been unable to set up such innovations as a Eurodesk or training sessions in European issues. As a result, it lacks the skills and the additional personnel which bodies such as local authorities have been able to establish. The STUC is still uncertain as to whether or not it can *afford* the enhanced degree of involvement it has secured.

Conclusions

This chapter set out to consider the effects of the almost simultaneous devolving of competencies from the EU to member states and from the UK government to Scotland between 1998 and 1999. The relationships (which had previously characterised the pattern of local government in Scotland) have been redefined by change in the constitutional and organisational structures and, crucially, change in the policy process and its range of participants. The Scottish political landscape has been reconfigured and a new group of sub-member state actors eager to make their mark on governance and policy in Scotland has emerged. Under the new order, a functioning but weak tier of government has been established, its institutional autonomy delegated by the Westminster Parliament. Devolution laws have permitted limited machinery for Executive co-operation between Holyrood and Westminster purely and simply because so much of the substance of EU policy impacts on devolved areas. In terms of resource allocation, UK government is central to the bargaining processes at both European and domestic levels under the Barnett formula.

So what is really new in Scotland? Below the decision-making level of the EU, power is being shared but so too is responsibility. Westminster and Holyrood have publicly entered into a partnership agreement, together with their respective Executives and civil servants, and decisions on how structural funds are *best spent* are no longer taken by the Secretary of State for Scotland at Westminster. Such decisions are now taken in Scotland by the Parliament and Executive, and only after wide consultation. The horizontal links implicit in the concept of partnership mean that the nation state in the form of the UK no longer

considers *itself* to be central to the decision-making processes in EU regional policy in Scotland: it is a partner in the process.

Change in the political landscape has been accompanied by change in the policy landscape, crucially in the regional policy sector. The Executive, as the accountable body to the Scottish Parliament, Westminster and the EU is *primus inter pares*. But decisions on how the structural funds (and the other finance allocated under the Barnett formula by the UK government) are to be spent are taken in joint fora such as the Programme Management Executives and the new European Structural Funds Forum. These are the arenas in which policy is framed in consultation with the Parliament, the Executive, COSLA, the Enterprise Boards, the social, economic and other local partners. The programmes drawn up by all of these sub-national actors are then implemented and monitored as partnerships, within which each has a formalised, designated role to play. The ethos is less one of shared control than one of collaborative working and responsibility.

Some of the interview material introduced in this chapter suggests that tensions do however exist on the ground, within and around the partnerships, exposing the perhaps inevitable gap between political rhetoric and political reality. We see the emergence of a new policy hierarchy with some partners seeming more 'equal' than others. Despite the fact that the partners are all 'singing from the same hymn sheet', the Scottish local authorities are at present (sometimes privately, at other times publicly) expressing growing concern about the Executive's apparent inclination to increase centralization of power in Edinburgh. Difficulties have arisen too as partners such as the Enterprise agencies, who have huge resources at their disposal, try to march in step with smaller, local bodies. The economic and social partners, for example, although involved to an extent in policy-making, still display a degree of frustration about their lack of influence and resources. What they all share, however, is an impressive degree of commitment to the aims and objectives of EU regional policy, and this is evidenced by the fact that together they constructed the Economic Framework for Scotland which draws so heavily upon European policy ideas.

But what does all this sub-national activity really mean and how has it come about? On the subject of sub-national mobilization, multi-level governance argues that the process of European integration has empowered regions through opportunities including those afforded by the structural funds and EU regional policy (see Hooghe 1995; Marks 1996).

However, the diverse institutional and constitutional structures of the EU member states mean that there are wide variations in the nature and extent of mobilization among sub-national actors. Such variations are apparent in both in their capacity to mobilise and in their ability to transform this mobilization into real impact or influence (Jeffery 2000). Scotland has been a beneficiary of EU regional policy since the mid-1970s. Despite constitutional constraints, regional and local authorities/actors have been mobilizing over the years to pursue a growing involvement in EU regional policy-making. The partnership concept, the nexus of the policy, has facilitated the access and involvement of these actors so crucial to building up a body of knowledge and experience within their organisations.

The Commission, one of the key sets of actors throughout this thesis, has worked hard in each round of programming to find more innovative and imaginative ways to accommodate the difficulties caused by lack of co-funding for projects. The situation of these partners continues to be addressed by the Commission and by the Scottish Parliament. At present there is room for improvement in respect of their resources and their influence, but the economic and social partners can contribute their ideas and experience, they do have a voice in the regional policy-making process in Scotland at both domestic and EU levels, and a role to play in the partnerships. The Scottish Parliament and Executive, to a large extent, control the financial resources, but they are aware that they do not have a monopoly on policy ideas, knowledge or experience.

What is evident from this study is that, prior to 1997, the other set of key actors (in this case Scottish sub-national actors) had not been 'empowered' by European integration and participation in EU regional policy. They had, however, clearly been mobilised. Scotland now has a third tier of governance in the form of the Scottish Parliament and Executive. Devolution is the key element which has empowered these institutions and organisations, but has not empowered local government to the extent it had anticipated. Such developments mean that the multi-level governance model is still difficult to apply to Scotland. It is argued here that local government and other sub-national actors in Scotland continue to be mobilised precisely because the Scottish Executive has taken the decision-making powers allocated to it in respect of EU regional policy, and has used the partnership model as the basis of its policy decision-making and implementation. As a result, new economic and social partners have been admitted to the policy process. All of these actors owe their involvement to the partnership principle, that is to the way in which first EU regional policy and now the Economic Framework for Scotland are framed.

The policy-making process in Scotland in the context of both EU regional policy and regional economic development has been structured by the concept of working in partnership. Experience gained over years of working with the Commission in structural fund programmes convinced the Executive (many of its members having come from a local government background) that the inclusive model could be successfully utilised as a framework for governance in Scotland. Local authorities have not been empowered by devolution, but they have been further mobilised in that they have played a major role in the drafting of policy papers and the mapping of processes and procedures whereby policy might be delivered. The economic and social partners have been mobilised by partnership involvement and by involvement in a policy process which gives them, in part, a sense of ownership of their own policies. All of these sub-national actors have the ability to influence policy-making in Scotland, not because powers have been devolved to them, but because the partnership principle includes them and makes it possible for them to participate. The Commission's legacy is that it framed EU regional policy in such a way as to facilitate such participation. The concept of partnership, the idea and the normative themes which are also an integral part of the policy package, have been embraced by the Scottish Parliament, its coalition Executive and other local/regional actors and have come to characterise the changed and changing political and policy landscapes in post-devolution Scotland.

Chapter 9: The future of the EU, Scotland and regional policy

Introduction

This thesis set out to examine what had been a previously neglected area in the literatures of political science and public policy, namely the role of the European Commission in the framing of EU regional policy. It has traced the evolution and development of the policy from the early 1960s to the beginning of the twenty first century in order to test two hypotheses. The first is that the Commission's framing of Community regional policy, and more specifically the introduction of the partnership principle, gradually created 'windows of opportunity' for sub-national actors in the form of input into the EU policy-making process. The second is that, through the administration of the structural fund programmes, engagement with national governments and supranational institutions led, over time, to an expansion of the role of sub-national actors in the regional policy sector: to the activity referred to in Chapter 1.1 as sub-national mobilization. The thesis has linked these two elements throughout in its aim to establish the extent of the causal contribution of the Commission to sub-national mobilization in the European Union.

This final chapter moves on from the early evolution and subsequent development of EU regional policy, and looks towards the institutional step-changes which will be required in the European Union to accommodate anything up to thirteen new member states in the next decade. It will examine the various ways in which the EU's institutions, its current member states and their sub-national actors are gearing up to face the challenges of a greatly enlarged Union. Specifically, it will examine how changes in the governance of the EU might impact upon the future role of the Commission in the framing of EU regional policy, and the implications of such change for sub-national actors.

Chapters 3 to 7 have explored how enlargement and changes in the EU's decision-making and implementation processes over the decades altered the role and behaviour of the European Commission in this policy sector, and its relationships with sub-national actors. Some of these *framing* role changes have been imposed on the Commission by member states whilst other, what might be best described as *behavioural* changes, have been sought by the institution itself in the light of harsh experience. Two identifiable codes of behaviour for Commissioners and their officials have emerged in the wake of the Santer Commission's fall in 1999. The first is the desire to create an efficient and effective organisation. The second is the desire to inject the notion of responsibility into

administrative culture generally. Cini (2001) points to some similarities between the Commission's reform proposals and the basic tenets of the 'new public management' concept, which is part and parcel of a wider trend in public sector reform.[1]

The key functions of the Commission in first the European Community and more recently the European Union have been extensively documented in this thesis. These functions have ranged from policy initiation to the mediation of disparate member state positions and finally to control over implementation and the enforcement of legislative decisions. The historical role of the Commission has also been examined, in terms of its representation of EU policies and decisions, for publics both inside and outside of the Union. Elements of its Monnet era image as the motor of integration, the guardian of the treaties and the 'public face' of the Union still persist. The Commission continues, at present, to be at the heart of the EU system of governance and to retain a high public profile as its spokesperson.

The roots for reform of the Commission in the wake of Santer's demise have been thoroughly explored in Chapter 7.4. As part of his resolve to improve the operation and functioning of the Commission, President Prodi arranged for significant reforms to the internal structure of the Commission as soon as his college had assumed office. He also assigned to one of his Vice Presidents, Neil Kinnock, responsibility for drawing up a report on the reform of the Commission services. In the wider context, the institution's response to demands that it put its house in order was to present the White Paper on European Governance to the Stockholm European Council in June 2001, envisaging a re-orientation of the Commission to core tasks and developing a more open relationship with civil society. The Commission's role in the enlarged polity is yet to be established.

Two parallel debates are currently taking place within the EU. The first relates to views on the Commission's White Paper on Governance and its broad themes which are:
- improving transparency
- greater involvement of 'civil society' and 'social partners' in the debate on the future of Europe
- the role of the EU institutions in the process of integration
- delimitation of competences and
- the simplification of the Treaties

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[1] For a full discussion of the ways in which the new public management model is reflected in the current reform programme of the Commission, see Cini (2001:pp.8-10).

The Nice European Council and the Treaty of Nice agreed in October 2001 (amending the Treaty on European Union, the Treaties establishing the European Communities, and certain related Acts) set out a declaration that a wider and deeper debate was needed on the future of the European Union. The White Paper on Governance was expected to inform the initial phases of this broader second debate launched by the EU's Heads of Government at Laeken in December 2001 (European Council 2001) on how an enlarged Union of some twenty eight member states and hundreds of regions and municipalities was to operate. There was, however, another perception of the Laeken meeting. For all intents and purposes it was a meeting of fifteen heads of government held in camera:

> Whilst it is right and proper that the political leaders of the member state governments should be taking these decisions, accountable in their different ways to national parliaments and citizens, there was little in the way of consultation across the EU with other sections of political or civic life. As a consequence, the concept of a 'preparatory convention' was born for any future reform process.
>
> (Scottish Parliament: 2002f: 1-6).

This is the *raison d'etre* for the Convention on the Future of Europe being held at the time this thesis was completed.

But the Commission and the member states are not alone in responding to the challenges an enlarged Union represents. Sub-national actors too are looking to the future. The putative direction of EU regional policy and the structural funds is raising concerns for some, particularly those in Scotland. The current tranche of funding is set to end in 2006, and consequently the European Commission is considering the nature of funding regimes for the next block of structural funds. The review is not simply about managing the funds. It also represents a radical shake-up in the consideration of the EU's regional development policy. The means of governance in the EU, and the corresponding budgetary requirements to fund initiatives such as the Common Agricultural Policy and regional development, clearly need to be re-visited in light of the fact that up to thirteen new member states are set to join the EU in the next few years. The Union's objectives are in need of a re-think. In the context of the 'bigger picture', the future role of the Commission in decision and policy-making and that of sub-national governments/administrations (now commonly referred to in EU parlance as sub-member states) will be profoundly affected by the outcome of these parallel debates.

The perceived threat to EU regional policy and two sets of its key players - the Commission and sub-national actors - has re-ignited the interest of commentators and scholars in this field (see Hooghe and Marks 2001: 107).[2] But this interest must remain speculative until the member states finally arrive at some form of conclusion about the future of the EU after the 2004 IGC. The EU (its institutions, member states and sub-national actors) is currently engaged in refashioning its institutional and policy-making designs. As they deliberate over new ideas on polity-building and policy-making, they find themselves facing precisely that 'ill-defined, problematic situation' in which the framing process comes into its own. In the context of the 'crystal-ball gazing' taking place at present, the final section of this chapter will explore the utility of the framing approach and how its application in this and other areas of EU activity point up ways of taking it forward as a useful analytical tool.

9. 1 A new direction for the Commission

Presidency Conclusions are the documents issued twice yearly recording the results of the deliberations of the fifteen heads of state and government, their foreign ministers and two members of the Commission on current issues of importance to the Union. These documents have consistently supported the claim that the member states wished the EU of the future to emerge as a strong, assertive political subject, with a strengthened democracy. Institutions such as the European Parliament and individual member states are also on record as favouring the improvement of democratic legitimacy. There is, however, no common interpretation of what might constitute the desired 'enhanced legitimization' in the new polity and how it might be achieved. The first of the themes which inform the debate on the institutional future of Europe is that of 'demarcating competences' (the theme favoured primarily by the Germans).[3]

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[2] These writers take the view that sharp criticism of cohesion policy during the 1999 reform of the structural funds is indicative that the policy is in the process of falling out of favour with member states, and that the partnership concept, grounded as it is in inclusiveness and consensus, falls foul of neoliberal principles. These principles favour returning economic decision-making to the market, rather than leaving it in the hands of selected policy-makers.

[3] See, for example, the Humboldt lecture delivered by German Foreign Minister Joschka Fischer in May 2000, in which he proposed providing the EU with a functioning government based on a federalist model in the not too distant future. For a discussion on how the German debate has traditionally been strongly influenced by the state model for the organisation of the EU's institutions, see Jachtenfuchs *et al.* (1998: 429).

The second theme is 'governance'.[4] These themes reflect different approaches to making a connection between regional integration and regional devolution. European integration can be conceptualised as the development of a *domestic* regime, with the focus on institutional arrangements that link all levels of government to the centre (Sbragia 1992: 257-291). Central to this approach is determination of how territorial units are represented in EU institutions. Alternatively, the EU may be understood as an emerging polity, as a set of institutions performing basic functions of governance, and comparable with the process of polity creation that preceded it, namely state-building (Hooghe and Marks 2001: 34).

How Europe is to be governed is very much a decision for the member states, and will be made at the end of the European Convention on the Future of Europe, which was called for that purpose, and held its inaugural meeting on 1 March 2002.[5] It is unclear as yet what the outcome of the Convention will be or indeed what member states will eventually decide to *do* with the draft proposals due to be discussed at the Intergovernmental Conference in 2004. Meantime the Commission faces uncertainty as to its future role in institutional terms.

The Commission President, however, remains clearly determined to pursue a more active role for regions and local authorities, but to make a clear distinction between such democratically elected bodies, which can play a fundamental role, and civil society as a whole. At a meeting of Presidents of the Regions of Europe in Bellagio on 15 July 2002 President Prodi set out the possibility of a 'tripartite contract' approach between the three levels of power: EU, state, and regional/local authorities.[6] On the same day, the ideas contained in the Commission's Communication of Proposals to the Convention

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[4] Governance as defined by the Commission in October 2000 refers to the rules, processes and practices that determine how European powers are exercised: accountability, visibility and effectiveness: 'This approach is particularly suitable for looking more closely at the European democratic model in general and the role played by the Commission in particular. It refers to situations with many decision-making centres at various geographical levels, both public and private within the Union: it also underscores the importance of legitimacy that derives from the acceptability of rules, public participation and allowance for cultural, linguistic and geographical diversity' (Commission of the European Communities 2000 b: 3-6).

[5] In *The Laeken Declaration* the composition of the Convention is as follows: its number comprises 15 Heads of State or Government of the member states, 30 members of national parliaments, 16 MEPs and two Commission representatives. At the regional level, 3 representatives of ECOSOC with 3 representatives of the European social partners, 6 representatives from the Committee of the Regions drawn from regions, cities and regions with legislative powers have observer status only. (European Council 2001).

[6] For certain implementing provisions, regional and other sub-national authorities would be able to choose the most suitable implementing instruments under a contract setting out clear terms and methods of application and enforcement. In the event of failure to observe contractual obligations, the basic implementing provisions would apply automatically, see Prodi (2002a).

(Commission of the European Communities 2002:3) relating to a constitution for the future of Europe were set out in considerable detail in a speech made by President Prodi to the Fondazione Cariplo in Milan on 15 July 2002, as the institution's considered recommendations at the time for the future governance of Europe. In short, Prodi was voicing his own conviction that Europe needs a constitutional treaty.[7] Debate over this issue has barely got underway, but the keynote here for the Commission is the allocation of responsibility: separation of powers at the domestic level must be the task of the member states. The tone of the Commission's pronouncements suggests a notion of decision-making as a process in which authority and responsibility are shared out on a contractual basis among the supranational, national and regional/local levels, with the Commission refocusing on the 'bigger picture' of integration, innovative policy ideas and transfer of best practice.

Polity-building and policy-making are inextricably linked in the reform strategies of the EU, and in the consideration of policy as the product of decisions of governments, framing offers a promising approach to evaluating what kind of conceptual model will prevail. In conceptual terms, the Commission has been accused of being ambivalent in its framing of proposals for institutional choice in the EU. Kochler-Koch (2000: 521-523) maintains that the Commission has moved away from aligning itself with the European Parliament and supporting the federal state paradigm towards the promotion of 'functional representation'. She goes on to argue that this concept has more recently been extended to include the idea of 'civil society', and that the fostering of participatory society has now become the Commission's frame for revising the institutions. But the publication of a Preliminary draft Constitutional Treaty by the European Convention on 28 October 2002 (European Convention 2002) would appear to indicate that in the framing of proposals for institutional choice it has been difficult for *member states* to escape from statist analogies. The tried and familiar normative constitutional concept in which competency demarcations are clearly laid out seems to prevail at present (see Title III, European Convention 2002: 3). The Commission's framing of proposals for the future EU polity in the context of 'participatory democracy' have apparently fallen short of its desire to include regions in the decision-making process at institutional level.

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[7] In his definition of a constitutional text President Prodi describes it as one which simplifies the existing provisions accruing from the various Treaties adopted in the past. But he also makes the point that, in a modern democracy, such a text lays out the key points governing the legal basis for the entity concerned and respect for rights internally, with the establishment of a clear political identity (Prodi 2002b: 3).

In a speech to the Presidents of regions with legislative powers in Florence on 15 November, 2002, outlining the 'good' and 'bad' points of the Convention on the subjects of concern to regions, Commissioner for Regional Policy and Institutional Reform Barnier said:

> First of all, the 'bad point' is without doubt the fact that we have not managed, within the Convention, to set up a working party to deal specifically with the regional dimension, or more broadly with the infra-regional dimension, and that is a matter for regret.
>
> (Barnier 2002)

The Commissioner did, however, urge those present to turn their attention from making progress on the institutional front to the common policies which would be enshrined in the future constitutional treaty, most notably regional policy: 'this policy must be given the most solemn place possible in the treaty' (Barnier 2002: 3). The Commission's own attempt at progress on the institutional front is reflected in President Prodi's team's most recent contribution to the debate, in response to recent developments at the Convention. The UK has flagged up its preference for a 'fixed chair' for the European Council, whilst France favours an EU President. The Commission, which wishes to retain rotation of the Presidency in a modified form, says that there is already a President in Brussels, that is the Commission President. The Commission's reaction to these developments has been to: 'unveil a radical blueprint on 5 December, calling for a more powerful Commission President, elected by the European Parliament and confirmed by heads of states and governments' (*European Voice*, 5-11 December 2002: 2). In return, the College would make itself accountable to the Council, giving *it* power to bring the Commission down. These developments suggest that the Commission is moving back towards re-aligning itself with the European Parliament. It might therefore be argued that the Commission's framing of proposals for institutional change in relation to EU decision-making and policy-making continues to be ambivalent. Their most recent proposals suggest that the institution is still searching for a frame that will be acceptable because all the actors involved (including the Commission and sub-national actors, as well as the Parliament and member states) believe it will attain their collective goals.

9. 2 New directions for EU regional policy

Earlier chapters have illustrated how the tension between the *policy* rationale in this sector

and the *political* rationale has never been properly resolved. The two are almost mutually exclusive in that while the policy rationale demands the concentration of spending on the poorest regions, the political rationale encourages the mobilization of regional and local governments to get involved in EU decision and policy-making, and that activity necessitates the wide distribution of available resources across the EU. The size and number of transitional funding arrangements, which had to be agreed prior to the 1999 reform of the structural funds, demonstrated quite clearly that there still had to be something in it for everyone. But where does the policy go from here?

Hooghe and Marks (2001) claim that the impending decisions on the means of governance in the EU, combined with the corresponding budgetary requirements to fund regional development, represent a threat to EU regional policy as it has been known since 1988. They argue that the 1999 reforms represent a partial erosion of the policy as promoted by Jacques Delors, not least because the European political economy has changed, and a general shift has taken place away from state ownership and towards market-oriented policies (Hooghe and Marks 2001: 105). For these scholars, the tide has turned once again but this time in favour of the proponents of what they describe as 'regulated capitalism.[8] But they also take the view that the cohesion coalition so strong under Delors has been split. This cleavage leaves the policy rationale (concentration of resources in the poorest regions) being supported by poorer regions and governments in the south. Regions in the north, on the other hand (for the most part those who support regional devolution) are active proponents of a political rationale which encourages sub-national mobilization.[9] A revamped anti-neoliberal coalition is emerging which no longer sees EU regional policy as the core of European regulated capitalism.[10] Employment is to be the new 'flagship' policy, the preferred vehicle for achieving political success. If the analysis offered by Hooghe and Marks (2001) is correct, it might explain the tenor of the policy ideas presently being

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[8] Supporters of regulated capitalism wish to create a European liberal democracy, able to regulate markets, redistribute resources and shape partnerships among public and private actors. In terms of regional policy, it is argued that redistributive policies are justified on the grounds of pragmatism, that is to say they enable weaker actors to compete in the market, and foster on-going collaboration among public and private actors, which is likely to reduce social conflict and enhance mutual learning.

[9] The rationale underpinning Community regional policy is outlined in detail in Chapter 5.3.

[10] This coalition is defined as comprising social democratic parties, trades' unions and, more equivocally, Christian Democrats.

promoted by the European Commission.[11]

The Commission is keen to press on with new initiatives. These include the launch in January 2002 of National Action Plans for Employment (NAPS). Commissioner Anna Diamontopolou has emphasised that these are part of a 10 year strategy agreed at the landmark Lisbon summit when full employment – an overall employment rate of 70% - was placed, for the first time, high on Europe's political agenda. She makes the point very forcefully that employment strategy cannot be successfully delivered without the full engagement of the regional and local levels, and is seeking to develop a local dimension to the employment strategy, and is quoted in Scottish Parliament (2002e: 5) as follows:

> Success in the fight against unemployment and poverty in Europe is dependent on the mobilization of all resources available, including and especially at local level. For it is localities that are best placed to translate national and regional strategies into action on the ground.[12]

Engagement, involvement and shared responsibility are crucial elements of this strategy. DG Regional Policy also restated its position in February 2002 (quoted by the European Committee of the Scottish Parliament) on the changes made to the way Union finances are managed:

> It was essential for Member states and regions to recognise that it was in their interests to take the future into their own hands and manage themselves the funds provided by the Union. Now the main responsibility for the management and supervision of expenditure will be theirs: the Commission will only intervene to check that effective audit systems are in place
>
> (Scottish Parliament 2002e: 6)

A Briefing Paper issued by the European Committee of the Scottish Parliament indicates that in June 2002 the Commission planned to adopt a further Communication on Corporate

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[11] More than one Commission official with a lengthy experience in this policy sector has confirmed that any innovative policy ideas they might have must attract the ear and the attention of the more powerful member states (see interviews 13 Feb. 2001; 18 June 2001(b); 19 June 2001(c). The days of officials 'flying their own kites' and bargaining with (or bribing) member states to have *their* ideas adopted as policy, appear to have come to an end.

[12] The quote is taken directly from the European Committee's Briefing Paper, but the central message of the speech was later underlined by the publication of a Commission Communication on local action for unemployment (Commission of the European Communities 2001) 629 final.

Social Responsibility (CSR) in Europe (Scottish Parliament 2002c: 6). A Green Paper has already been prepared (Commission of the European Communities 2001) and the European Committee believed that the Danish Presidency would give a particular focus to this idea by holding a major conference in November 2002. Again this initiative might be construed as putting into practice the matching of authority and responsibility in the delivery of policy. The concept of CSR as defined by the Commission is that an enterprise is accountable for its impact on all relevant stakeholders. By expressing their social responsibility, companies affirm their role in social and territorial cohesion, quality and environment. The Commission believes that social partners also have a crucial part to play in the wider implementation of CSR. This is another policy area linked to partnership, but could pose problems in Scotland where employment is a reserved area and so far (according to trades union officials and policy experts) the private sector has shown no great inclination to become involved in partnerships: "The CBI took the view that they already had good avenues into government, with the likes of the Enterprise agencies... it [partnership] didn't add much value for them'.[13] If, however, as is being suggested by Hooghe and Marks (2001), the primacy of EU regional policy is, to some extent, being superceded by employment policy, this attempt to draw companies formally into a partnership where they play a role in territorial and social cohesion is perhaps more readily understood.

There is no suggestion in the Commission's public pronouncements that its commitment to a regional policy for the EU is faltering. But the fact that its own role in the future polity (and specifically its sole power of proposal) are as yet undecided means that its activities are restricted to reassuring those regions with legislative power that it seems legitimate to the Commission for them to want to be involved in the building of the EU: 'So far as the member states are concerned, both upstream and downstream of the decision-making process, the Commission is determined to "play the game" and to establish a relationship of fair and trusting co-operation with your regions, as with all the others' (Barnier 2002: 5). In terms of policy framing, Commissioner Barnier was signalling his intention to propose the adoption of a communication on the arrangements for an ongoing and systematic dialogue with the territorial units on how EU policies are framed. His intention was to make regional concern a cross-cutting component in the framing of sectoral policies, particularly on policies such as regional policy which have a significant territorial impact.

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[13] From interviews with academic policy expert 13 May 2002; with ex-official of the STUC, 20 May 2002.

It might be argued that the Commission is adopting a strategy of keeping such regions *onside* in the run-up to the intergovernmental conference for the European project and its common policies.

9. 3 New directions for the Scottish partners

Sub-national mobilization in Scotland continues to gather momentum. Key players are actively seeking to become better informed on the *polity* issues surrounding the parallel debates on the future governance of the European Union: issues which presently pre-occupy the member states. The Scottish Parliament, the Executive, local government and other sub-national partners are positioning themselves to make a contribution to the wider debate on the future of Europe. But they also wish to reach a clearer understanding of the *policy* issues closer to home, in particular the future of the structural funds post-2006 and how Scottish interests will be affected.

The European Committee of the Scottish Parliament

More recent developments suggest that while the European Committee of the Scottish Parliament might have struggled in the early days, it is indeed now beginning to find a 'niche for itself' in the governance of Scotland. Documentation issued by the Clerk of the Committee on Processes and Work Programmes (and the Minutes of its meetings) suggest a growing sense of both maturity and authority. Key agenda items for 2002 include:

- Proposals to place in the public domain material on Executive activities that take place prior to meetings of the European Council of Ministers (in the form of briefing papers) and a demand for more involvement in decisions regarding what are priority issues for Scotland (Scottish Parliament 2002a: 1-3)

- A Proposed Work Programme for the Committee to May 2003, which includes a major inquiry into Europe's Employment Strategy and the Scottish model for managing change, and a short limited inquiry into the success of waste minimisation policy in Scotland (Scottish Parliament 2002e: Annexes B, and C).

In the wider context of the 'big issues' of European affairs, the Committee has published a Report of an Inquiry into Governance and the Future for Europe.[14] The terms of reference

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[14] The Inquiry is based on written and oral evidence submitted by, among others, Alain Lamassoure, MEP; Rt. Hon. Peter Hain, Minister for Europe in the UK government; Mannfred Dammeyer, Vice President of the Committee of the Regions, and Professor Michael Keating, authoritative scholar in the field of regionalism and regional policy in the EU.

include the following issues:

- How can the subsidiarity principle be enacted in practice?
- How can competences and powers be defined and shared between the EU institutions, the member states and the sub-member state regions/nations?
- What mechanisms are available to enable the Scottish Executive to play an increasing role in developing policy within the UK in relation to EU issues, and how can effective parliamentary oversight be achieved?

The main aim of the Inquiry was to initiate a debate in Scotland on how the EU should be governed, and what the role in that process should be for Scotland (Scottish Parliament 2001: Vol. 2).

The Committee is also pursuing an on-going Inquiry into the future of Cohesion Policy and the Structural Funds post 2006 (Scottish Parliament 2002c: 3-29). A paper on this subject was presented at a meeting of the Scottish European Structural Funds Forum (a body outlined in Chapter 8.3).[15] The Department of Trade and Industry (DTI) has made a brief response, stating that so far very few national governments had committed themselves, and that the DTI planned to consult widely within the UK (including with Scotland and the other devolved administrations) about what the government's approach to the future of the funds would be.[16]

In addition to the broadening of its parameters outlined above, the Committee discussed in April 2002 how closer ties might be formed between the Scottish Parliament and the Flemish and Catalan parliaments. Proposals include making arrangements for video-conferences and proposed meetings with the chairmen of the 'European Committees' of both parliaments.[17] On 11 July 2002 the Committee announced its intention to conduct a short inquiry into Scotland's (and specifically Parliament's) representation in Brussels, to

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[15] Both oral and written evidence in this inquiry have been sought from a range of interested organisation in Scotland, UK and Brussels. Submissions so far include those from East of Scotland European Consortium (a group of local authorities); Highland Council; Scottish Natural Heritage (agency); South of Scotland Alliance (a mix of local authorities and enterprise agencies) and the West of Scotland European Consortium. The partners are already well represented in this consultation (see Scottish Parliament (2002).

[16] Letter (dated 18 April 2002) from Dr. David Rawlins, via his Assistant Manager, Structural Funds Policy, Department of Trade and Industry to the Clerk of the European Committee.

[17] Matters for discussion included the respective views of each Committee on the Governance/Future of Europe debate, and proposals for the establishment of a loose, informal network of similar 'European Committees' at the regional/sub-member state level across the EU, and links between such a network and the European institutions, notably the European Parliament.

address the issue of what support the Scottish Parliament might need in Brussels and how this might be delivered (Scottish Parliament 2002f: 1-6). In the matter of EU regional policy, the Committee proposes co-operation with the Committee for Economics, Technology and European affairs in the state parliament of Saxony-Anhalt, with a view to compiling a joint five-point plan with them in relation to INTERREG.[18] The Committee has also called for the protection of the regional development fund structure and warned that any major reductions in the scheme could hit Scotland's most deprived areas.

The Committee's position on EU regional policy is that structural funds represent one of the few possibilities for the citizens of Scotland to see at first hand, in their local environments, the presence of the EU and the positive impact it can have. It recommends that the Executive make all efforts to ensure that Scotland is among the pathfinders in any initiatives (such as INTERREG III) for closer links between the European Commission and the implementation of Scotland's European obligations. The Parliament wishes to make a case for being in the vanguard of such new bilateral relationships. It calls on Europe's leaders to make sure that there remains a collective role for the EU in regional funding and not to leave this to be decided by nation states in isolation (see Scottish Parliament 2002g). The Committee's most recent initiative has been to host a Convention of its own in the Scottish Parliament on 16 September 2002 to debate the future of Europe in light of the Committee's 6th Report (Scottish Parliament 2002h). Keynote speakers included Gisela Stuart, MP, David Heathcote- Amory, MP and Lord Maclennan (Members of the Convention in Brussels) plus Professor Neil McCormick, Andrew Duff, MEP and Councillor Keith Brown (Alternative Members of the Convention on the Future of Europe), Elspeth Attwooll, MEP, Nick Baird, Foreign and Commonwealth Office, Scottish parliamentarians, members of the Executive, local politicians, academics, representatives of a wide range of organisations, and a cross-section of interested members of the public who simply wished to become better informed. In all, over 100 people attended.

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[18] The first INTERREG Initiative was introduced as part of the 1988 reform of the structural funds and is referred to in Ch. 5. 4. The INTERREG III initiative is one of the so-called Community Initiatives which aim to stimulate inter-regional co-operation in the EU between 2000 and 2006. Financed under the ERDF, it is designed to strengthen economic and social cohesion throughout the EU, with special emphasis placed on integrating remote regions and those which share external borders with candidate countries. National and/or regional authorities are responsible for this initiative nationally/regionally. DG Regional policy has overall responsibility for INTERREG III.

These more recent developments suggest that the European Committee of the Scottish Parliament is indeed beginning to find a 'niche' for itself in the governance of Scotland. The documentation issued by the Clerk on Committee processes and work programmes, the Minutes of its meetings and the tenor of the way in which their debates and inquiries are conducted, might suggest (to its supporters at least) a growing sense of both maturity and authority in their parliamentary behaviour.

The Scottish Executive

In the wider context of the UK constitution and EU governance, the direction being taken by the Scottish Executive is less easily established. A series of 'mixed messages' have emerged from that organisation in some of its most recent initiatives. For example, while Scotland shares power with Westminster on EU affairs, foreign affairs are matters reserved to UK government. In the literature surrounding the topic, the efforts of regional governments to play a part in international affairs through diplomatic activity are often assigned the term paradiplomacy.[19] This is an activity in which, technically, the Scottish Executive ought not to be involved. Under the Scotland Act:

> International relations, including relations with territories outside the United Kingdom, the European Communities (and their institutions) and other international organisations…are reserved matters.
>
> Scotland Act (1998: Schedule 5)

This clause is significant for Scotland's 'international relations', more specifically in its relationship with the United States. In late October 2001, then First Minister Henry McLeish named Susan Stewart as the Scottish Executive's first senior diplomatic posting, answerable to Scottish ministers and serving in the British embassy in Washington, with the heady rank of First Secretary. The appointment was made on the grounds that Holyrood is responsible for tourism and economic development, both of which require it to build up a strong Scottish position in America. However, in Washington, in April 2002, successor Jack McConnell (according to press reports) put paid to that process. He is quoted as saying that he wished to see Scotland's interests pursued from within the existing British

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[19] Paradiplomacy is defined as an emerging phenomenon, in which regions are challenging the monopoly of the state in transnational relations. The term is used to describe practices developed through the increase in transnational regimes such as the EU and the North American Free Trade Area (NAFTA) and the restructuring of centralised states into federal and regionalised states. For a full discussion, see Keating (1999) on paradiplomacy in action and the foreign relations of sub-national governments.

embassy network (*Sunday Times, Ecosse*: 2002: 2). The current emphasis of the Executive has moved away from paradiplomacy and onto utilising the key economic development agencies in Scotland (the Enterprise Agencies). The Scottish International Forum has been set up and had its first meeting on 12 February 2002. It comprised fourteen organisations, including Scottish Development International and the Confederation of British Industries (CBI Scotland):

> The Forum considered what a number of participating organisation were doing overseas and discussed the possible development of a website for the group... A sub-group was established to take forward the development of the website. The Executive has an open mind about widening the membership of the Forum and will discuss the possibilities for doing so with its existing members.
>
> (Scottish Executive 2002: Annex 1)

The message from the Executive implies that in its efforts to foster an outward-looking and export-oriented economy, the onus is on the economic development agencies and Scottish business, along with the Secretary of State for Scotland, to 'fly the flag'. The Scottish Executive clearly feels that it ought not to be engaging in paradiplomacy.

In the context of dealings with the EU, however, the Scottish Executive has adopted a more ambivalent stance. It is reflected in a speech delivered by McConnell while Minister for Education, Europe and External Affairs to the Jean Monnet Conference on the Future of Europe in Edinburgh on 24 September 2001 (McConnell: 2001). In it the Minister attempted to explain how Scotland could be, at one and the same time, pro-EU (international problems require international solutions); pro-UK (Scotland has the representation and influence which comes automatically to a big and powerful member state and support for the key role of EU member states is central to the Executive's views); pro-reform of the EU (change is needed to give greater democratic legitimacy to decision-making); and, interestingly, pro-regional government (the Executive believes that in Europe there is a strong layer of regional government. It is by definition closer to the citizen and responsible for implementing much of EU policy). On the one hand, it would seem that the now First Minister is quite content to have Scottish interests represented by Her Majesty's Government on the wider international stage. But on the other, in the European arena, he wishes to be part of a group of constitutional legislatures all jostling for positions of increasing influence in relation to their member states in the European decision-making process. It might be argued that these pronouncements smack strongly of a desire on the part of the First Minister for having his constitutional cake and eating it,

though the Minister was at pains to point out that regional *involvement* in EU decision-making was the Executive's modest goal.

In March 2002 Deputy First Minister and Minister for Justice and European affairs, Jim Wallace, in response to the European Committee's First Report of 2002 (Scottish Parliament 2002b) laid out plans for European and External Affairs initiatives for the future (Scottish Executive 2002: Annex 1). Three overarching objectives of external relations work are the promotion of Scottish devolved policy interests in the EU and internationally; the building of mutually beneficial links with regions and countries of the EU and beyond; and the promotion of a positive image of Scotland overseas. The written statement makes it plain that the Executive takes the lead in these matters (rather than the Parliament) including dealing with interest in co-operation being expressed by countries and regions both inside and outside the EU. The Executive has so far concentrated on building links with other sub-EU member state regions that have legislative powers, such as Catalunya, Salzburg, Flanders and Wallonia, Bavaria and North-Rhine Westphalia, with whom it discusses a wide range of matters, including the issue of approaches to enlargement.

In terms of enlargement, the Executive also wants the lead role in feeding Scottish policy concerns into UK government's negotiations on enlargement in 2004. Links with candidate states such as Poland and Hungary are being actively pursued, and the Executive continues to be the lead partner in a Structural Funds Twinning Covenant with the Czech Republic. More recently the Executive has agreed to support Finland in its Twinning Covenant with Estonia, and a legal expert from the Scotland Office will spend approximately six months on the project, including two months in Estonia.

Partnership within government/administration

The European Committee of the Scottish Parliament wishes to have improved briefing and reporting both before and after meetings of the European Council and the Council of the European Union. It also feels that it would be useful to have information on the Joint Ministerial Committee on Europe (JCME)[20] and meetings of the Ministerial Group for

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[20] The JCMEs are intended to operate as management devices in fairly specific circumstances, namely when [within the UK] intergovernmental negotiations fail to lead to the resolution of a dispute. For a full discussion, see Lynch (2000: pp. 151-156).

European Co-ordination (MINICOR).[21] It is felt that information from this range of meetings is important to the ability of the Committee to scrutinise adequately the activities of Scottish ministers and civil servants in relation to decision-making processes followed for EU legislation, and other initiatives such as the Convention preparing for the Intergovernmental Conference in 2004. To date, the Committee receives little material directly from the Executive specifically informing members of the timing or substance of forthcoming meetings, and this situation is mirrored when it comes to the various fora attended by officials/civil servants such as working groups, both within the UK and the EU.

But oral evidence given by the Deputy First Minister to a meeting of the European Committee on 26 March 2002 regarding the extent to which the Executive is willing to report to and brief the Committee on its activities in meetings such as those listed above, suggested a certain reluctance to be pinned down to a set of procedures. Their formal response was conciliatory, but stressed that any agreed procedures would have to be more flexible than those proposed by the European Committee (see Scottish Parliament 2002a: 1-6). In particular, the Executive emphasised the principle of confidentiality, which must be respected for certain elements of information relevant to the Executive's contacts with the UK government. The Committee, for its part, maintains that it is aware of and supportive of the need for privacy in terms of the concordats on the development of the UK negotiating line, but feels this needs to be balanced with a desire for a better dialogue with the relevant Minister pre-Council of the EU, LMCE or meetings of MINICOR. The Committee has so far demonstrated little sign of willingness to give up this particular 'bone' without a struggle, and accordingly came back with a set of fresh proposals of its own at its meeting on 23 April 2002. Despite demonstrations of sweet reason and cordiality on both sides, European Committee Reports and Minutes suggest that at present a mini 'turf war' is being conducted between the Executive and the European Committee, and that neither side wishes to blink first (see Scottish Parliament 2002h).

In its dealings with Westminster the Scottish Executive continues to take the UK line,

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[21] MINICOR is a UK Ministerial Group on Europe. It is chaired by the UK Minister for Europe in the Foreign and Commonwealth Office and was established by the Labour government with a view to mobilising a more constructive European policy within government. Ministers of the devolved administrations are able to participate in its meetings, but while MINICOR is an element in the overall UK co-ordination effort regarding European policy, it is neither a product of devolution nor is it a vehicle for resolving EU policy-linked problems arising from devolution (Bulmer *et al.* 2001: 64).

which is basically that the Scottish Parliament (and more specifically its European Committee) should 'stay in its box' as far as European affairs are concerned. What was interesting in 2002 were the concerted efforts of the Committee to get out of its 'box' and have its say, both on its own Executive's conduct and on the UK line taken in European matters, reserved or otherwise. In view of the fact that, under the Scotland Act (1998), parliamentary elections must take place in the spring of 2003, it is unlikely that either the Scottish Parliament or its Executive will be devoting so much time to this discreet flexing of institutional muscles. Both of these bodies will require to concentrate their energies on re-election.

Local government, the voluntary sector and the economic and social partners

Whilst these two bodies (the European Committee and the Executive) appear to be locking horns and powering ahead with new initiatives in new directions, their partners – the local authorities and social and economic partners - are not nearly so confident about their prospects of involvement in the EU or its regional policy of the future. In the political context, local government in Scotland is concerned about the Executive's continued 'foot-dragging' on local government reform. A Bill aimed at endowing local government with the 'power of well-being', a somewhat nebulous concept, was expected to be brought forward in the spring of 2002 (Scottish Parliament 2002i: 1) but after almost two years of 'consultation' it has so far not materialised.[22] As a Member of the European Parliament put it:

> I don't think that [Scottish] local government involvement in Europe has collapsed or anything, but it's already less than it was a few years back, and I think that's partly because of the view that you can leave that [involvement in Europe] to the Executive.[23]

A second arm of the modernising agenda was to be electoral reform at this level. But the Labour party in Scotland has recently officially announced that there should not be proportional representation at local government level as part of the reform process. This decision puts in jeopardy any future coalition with the Liberal Democrats, as the introduction of proportional representation was seen as a key part of the deal when the

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[22] Details of how councils are to be given a general power to promote and improve the well-being of their areas, and explanations for the delay, are laid out in a Briefing Paper issued by Trish Godman, Convener of the Local Government Committee of the Scottish Parliament in early 2002 (Scottish Parliament 2002i).
[23] Interview with member of the European Parliament, 25 May 2001.

coalition was formed in 1999. Labour argues that electors are more interested in issues such as health or education than in electoral reform. But others argue that such services will only improve at local level if authorities are made more representative. There are implications in these developments not only for the future of the coalition but for the future of the way in which policy is framed and delivered in Scotland by use of the partnership model.

In the context of EU regional policy, the other partners are also expressing concerns. In April 2002, the Convention of Scottish Local Authorities responded to the European Committee's call for views on EU regional policy post-2006 (Convention of Scottish Local Authorities 2002). Representing individual councils and regional consortia, the COSLA Regional Policy and Enlargement Task Group sees what it perceives as a sub-text contained within the discussions opened by Commissioner Barnier following publication of the First Progress Report on Cohesion (Commission of the European Communities 2002). In the Commissioner's speech to the Second European Forum on Cohesion in an enlarged Union on 21 May 2001, he had made the point that the territory of the enlarged Union would be the scene of new imbalances. Many regions of the present Union of 15 have needs and projects, in the south, the north, the centre and on the furthest borders in the case of the most remote regions. The proposed remedy suggested was as follows:

> Our answer would be, in the name of subsidiarity, to restrict the cohesion policy or even to renationalise it. The idea is that everyone should be able to look out for himself. This is perhaps possible for Ile-de-France or Bavaria, but what about the poorest regions? Can we allow the rich regions to get rich quicker and the poor regions poorer? And can we accept the adverse consequences of concentrating economic activity in the same few regions?
>
> (Barnier: 2001)

The Task Group clearly sees the Report centring on one question: should there be a regional policy outside of the new Objective One (development and structural adjustment of the regions whose development is lagging behind) and, more importantly, how many regions in Scotland would be eligible under the 2006 criteria? The Group also makes the point that certain regions and member states have embraced the spectre of a 're-nationalisation' of regional policy implied in the Commissioner's speech. Local authorities consider this debate to be a non-starter (Convention of Scottish Local Authorities 2002: 3.1). Their principal concern is that in many countries re-nationalisation could result in no regional policy: 'Fragile communities could be hit with a double whammy upon losing

Objective 1 eligibility, as this will alter their ability to grant regional subsidies' (Convention of Scottish Local Authorities 2002: 3.4). On a more positive note, they express their willingness to share experience and transfer of 'know how' to the regions within the applicant countries in relation to structural programmes.

Other partners such as West of Scotland European Consortium are also expressing anxieties about the argument made by the more prosperous member states that it would be more efficient for structural funds to be given up and instead for regional economic policy to be delivered at member state level through 'domestic' budgets. The Consortium believes that the responsibility for economic regeneration needs to be shared and involve the EU, national governments, devolved administrations and regional actors (including local authorities).[24] There is a good deal of apprehension within the partnerships which are already concerned (as outlined in Chapter 8.4) about 're-nationalisation' of the policy in the Scottish context, with the Executive seemingly drawing more powers to itself.[25] Such concerns are now broadening to include their future involvement or lack of it in this and other related policy areas.

The way in which the Commission framed EU regional policy prior to 1997 had led to iterated contact between key players in the Union, the UK and Scotland in this policy sector. It also led to new sub-national actors being given designated responsibilities within the policy-making process. The case study has demonstrated how exposure to the Commission's policy ideas (specifically those on partnership) actually formed part of the learning process for sub-national actors: participation in the programmes served as a training ground for them. The experience gained from such a process was partly what convinced the Scottish Executive that the inclusive model could be successfully utilised as a framework for governance in Scotland. Partnership mobilised sub-national actors to seek further involvement in EU regional policy-making. If, however, as is being suggested, the policy model as it has been developed since 1988 is to be overtaken by one such as employment policy (designed to fit into national systems of economic governance) and which returns such decision-making to national governments, what then lies in store for sub-national actors at local government level and those not covered by any technically-

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[24] See specific reference in written evidence to the European Committee and discussed in the Committee's 3rd Report (Scottish Parliament 2002d: 9).
[25] Interviews with official in the voluntary sector, 1 May 2001; with MEP 25 May 2001; with official, Strathclyde European Partnership 25 May 2001.

specified levels of government? Has EU regional policy changed from being a gateway to the future to a blind alley, barring further progress or future real involvement for them?

Chapter 1.1 of this thesis outlined the bases of the framing approach with its emphasis on the force of ideas and their contribution to problem solving. Chapter 1.3 also set out how the approach would organise the research material into three ways of understanding public policy, that is to say policy as the product of decisions of governments; policy as a programme; and policy as outcome. Devolution of powers in the UK allowed a coalition of political actors in Scotland, to some extent to choose the institutional model which met their normative expectations. In terms of policy as the product of decisions of governments, use of the partnership concept as a basis for framing polity-building and policy-making was acceptable to UK government, the Scottish Parliament and Executive, and to other sub-national actors because all believed it would attain their goals. In considering policy as a programme, this particular conceptual frame lined up with what had already become a tried and tested strategy, namely that of participative partnership working in the programmes (an integral part of the Commission's framing of EU regional policy). Partnership with the European Commission and UK government was not only promising in terms of procedural benefits for sub-national actors in Scotland, it also met their normative aspirations and functional demands.

What then of policy as outcome? Chapter 1 drew attention to an integral part of studying policy over time, namely that it provided the opportunity to assess whether the express purpose of the policy was actually achieved. More crucially, the point was made that policy as outcome helps to fix the focus on where the product of impact did not reflect the sum of the purpose of the original decision makers. Currently, Scottish sub-national actors are facing their own 'ill-defined, problematic situation', albeit on a much smaller scale than the challenges facing the European Union. Parliamentary elections in the spring of 2003 may result in a change of political actors within the institutions and, consequently, a change in the way in which polity-building and policy-making are framed in Scotland. This internal tension is compounded by two additional dimensions. If, as seems likely, the constitutional concept prevails over that of 'participatory democracy' in the framing of the EU's new institutions *and* policies, and if the role of the Commission in policy proposal is diminished, those partners at the end of the policy-making 'food chain' (namely those in local government and the social economy in Scotland) may find fewer opportunities for sub-national mobilization by means of involvement in the policy process.

9. 4 New directions for the framing approach

The force of ideas, knowledge and experience, and how they contribute to problem solving, represent the thematic core of this thesis. The framing approach has already been used by Jachtenfuchs *et al.* (1998) who maintain that the development of a polity depends not only on interests but also on normative ideas about a legitimate political order (polity ideas) specifically in relation to the EU. More recently, Kohler-Koch (2000) has employed the approach to demonstrate how the framing process can provide a first 'situational cue' to persuade actors to focus on one salient definition of what they are about to embark on. Her aim is to explain the inconsistencies and deficiencies in institutional reform strategies by discriminating between various reform options (Kohler-Koch 2000: 513).

In terms of policy ideas, Lenschow and Zito (1998) outline a perspective on the role of institutional structures in policy-making, and their impact on policy outcomes. Within this perspective, EU institutions subsume organizational structures, procedural rules and normative principles and form the context from which policy frames emerge, become rooted and may be replaced. In a study which understands policy frames as packages of policy ideas, Lenschow and Zito use the approach to offer an analysis of how policy frames have shaped the way European Community actors perceive the policy linkage between market integration and environmental policy, and how these frames become embedded by actors in the Community's institutional framework.

All of the above provide valuable insights into EU polity building and policy-making, some of which have been incorporated into the thesis. The framing approach as set out here has considered the role of the European Commission and sub-national actors in EU regional policy in each of three separate dimensions (as the product of decisions of governments; as a programme and as outcome) and attempted to establish how these interconnect with the roles of member states. It has been argued that the Commission's framing of the policy over time has mobilised sub-national actors by facilitating their involvement in a process designed to shape policy in all three meanings of the term.

Insights from studies such as these have informed the decision to apply the framing approach in this study. Employment policy has been floated as the new 'flagship policy' of the EU (see Hooghe and Marks 2001). Not all member states are fully committed to it (for example France and the UK do not subscribe to the same view about the shape it should

take). It will be interesting to see at the next reform post-2006 how the Commission will manage to reconcile the ideas of member states on how this policy should be framed, whilst at the same time attempting to infuse it with some ideas of its own. Some would argue that the partnership concept has failed in cohesion policy, or have taken the view that, far from promoting cohesion, it has fuelled political conflict across levels of government (see Jeffery 1996; McAleavey 1993; McAleavey and Mitchell 1994). If this is body of opinion prevails, will there be sufficient support for proponents of 'regulated capitalism' to insist that the concept should be at the heart of a new employment policy? This remains to be seen.

The way in which the framing approach has been used here makes no claim to being generalisable. But it is suggested that it might well be usefully deployed to study the development of employment policy in the EU, and the effects of this development on the domestic politics of member states (again on a case study basis). The study of the policy as a programme (as a particular package of legislation, organization and resources) designed to meet the economic, political and social goals of the post-2004 proposers and decision-makers might well be highly instructive. The policy's aim, to further mobilise the social partners, means that the framing approach, with its concentration on partnership, would lend itself to a field such as this.

This thesis has concentrated on comparison of EU policy over time, a legitimate academic pursuit in itself. It has traced the historical processes of the evolution and development of the policy, and the role of the Commission in its framing (its failures as well as its successes). It has been established in the case study that the *political* rationale for the policy (the mobilisation of regional and local governments to become involved in EU decision-making) and even the simultaneous devolution of powers to Scotland, had only a limited effect on sub-national actors outwith government *per se*. But the *policy* rationale, because the partnership principle targets the most weakly organised actors (poor regions, local authorities, local authorities, local communities and socially-excluded groups) has the capacity to offer them a vitally important involvement. Involvement which includes access to ideas, learning and knowledge (knowing how to talk the talk) is crucial to such groups in civil society. Such knowledge *is* power.

In a wider UK context, the amount of space devoted in this thesis to thorough examination of the development of the role of the Commission in the framing of EU regional policy has

precluded in-depth study of how Scotland fares in comparison with, for example, the regions in England. There is further work to be done in that the UK government has recently published its White Paper on the future of the English regions. A comparison of developments in emerging regionalism in England and the situation already obtaining in Scotland would arguably make for a very interesting future study.

In the still wider context of European enlargement and globalization, there is ample scope for research in the accession countries. There will be opportunities to explore the relationships which they set up with the European Commission, and to uncover whether or not the framing of a new EU regional policy leads to sub-national mobilization in an even more differentiated set of political systems. Power and interest approaches to such developments cannot and will not be easily ignored. On the contrary, their usefulness in identifying conflicting groups must be acknowledged. But in a world comprising ever more complex realities, the need for at least thinking outside of the nation state 'box' has arguably never been greater. In the run-up to 2004, yet another ill-defined, problematic situation in the EU needs to be made sense of. For that reason alone, this thesis makes a unique contribution to the study of both EU regional policy and governance.

Appendix 1

Research notes

At an early stage in the research it became clear that an effective study of EU regional policy would require research methods that were, of necessity, eclectic. The presentation of a historical overview of the policy entailed drawing on a varied literature. This ranged from regional integration and international relations at one end of the spectrum, to the role of ideas in polity building and policy making at the other. Several other literatures have informed the study, including those related to the role of ideas in policy-making, agenda setting and multi-level governance. In addition, much use was made of detailed content analysis of documentation issued by the Council of Ministers, the European Commission, the House of Lords Select Committee on the European Communities and latterly the European Council.

In the study of developments after the 1988 reform of the structural funds, the same research methods were applied. But, as the introduction of the partnership principle in the new Regional Development Programmes raised the profile of not only the Commission but also of regional/local actors, it became apparent that, for the case study, a series of interviews with some of these key players was called for. Thus a good deal of effort was put into trying to establish who the key players had been in Scotland under the old regime, and who they were by 1998 in the new order. It was decided to begin by first securing interviews with local authority officials who combined expertise at both the sub-national and supranational levels. This tactic proved highly beneficial in that all of them had been involved in Regional Development Programmes when the Scottish regions were still in existence, and were ideally placed to contribute to the policy's history in Scotland.

The research material gathered for this thesis followed hard on the heels of another much more comprehensive study of devolution in the UK, and some of its findings were both helpful and insightful. One point stressed by the researchers engaged in the ESRC-funded Devolution Project (Bulmer et al. 2001) was that a new sub-state tier of government had been created: 'charged with advising, devising, delivering and auditing a range of legislative and related duties which, hitherto, were the responsibility of UK government' (Bulmer et al. 2001: 9). In other words, crucially, in many cases, the same personnel would be performing virtually identical functions to the ones they carried out pre-devolution. Of

itself, this continuity was beneficial. But the 'downside' was that in administrative terms colleagues, who previously shared information in departments operating within the same government, now found themselves accountable to different political masters. They were, in effect, wearing different hats. They were not alone. Many local government politicians and officials found themselves wearing parliamentarians' hats for the first time in their careers. New codes of behaviour among and between these sub-national actors had yet to be established in 1998. In the view of the writer, an almost unique blend of experience and inexperience emerged from some of the earlier interviews conducted in Scotland, which was refreshing in itself.

Commission officials, Commission representatives and those involved in policy advisory activities both in Brussels and in Scotland were selected for their in-depth knowledge of EU policy-making in Scotland, both before and after devolution. Their contributions are therefore Scotland-specific and, with the exception of one or two respondents, are not intended to reflect Commission opinion on regional policy on the ground throughout the EU. A total of 30 semi-structured elite interviews were conducted between 1998 and 2002 including an ex-Secretary of State for Scotland (later a European Commissioner); Members of the UK Parliament; Members of the Scottish Parliament; Members of the European Parliament; officials of the European Commission; and a range of policy practitioners, academics and public officials with a special interest in/knowledge of the structural funds and EU regional policy (a complete list appears on p. 236).

Almost all of the interviews were conducted in person, although a few were done by e-mail/telephone in order to economise on time, travel and money. All interviewees were offered the option that their contributions be unattributable, but Commission officials and Scottish civil servants apart, most were not exercised by this as an issue which might inhibit frank and open comment. All were advised in advance in writing or by e-mail of the purpose of the research, the types of issues which would be discussed (these included the insertion of another tier of governance into the EU regional policy sector in Scotland; their experiences of the partnership model; and their reflections on sub-national mobilization and the form it took in Scotland) and why it was felt that, in the light of their individual experience, they might have a valuable, in some cases almost unique, contribution to make to it. Face to face interviews were recorded by means of a micro-cassette machine, to which no one objected.

The transcribed interview scripts, plus the tapes kept as archive copies, provided a database of material which could be re-accessed in order to tease out information on specific points. While interviewing in connection with the case study, it became apparent that devolution, and the accompanying systemic changes, were so new that there were few set parameters within which a researcher might work. Within the new order it was sometimes very difficult to track certain individuals down or to establish co-ordinates for them. The 'transitional' nature of politics and policy-making in Scotland, especially at the start of the research, convinced the writer that it was important to concentrate on capturing the 'mood' of the players themselves. Alternative methods (such as circulation of questionnaires or conducting of focus groups within civil society) would have been of limited use at that stage in establishing a view on sub-national mobilization. Such tactics would be best held in reserve for a more reflective follow-up study. As it was, all systems were to some extent experimental and, despite the fact that virtually the same set of questions was posed to each of the interviewees, so many of the contributors were occupying what for them were new roles that it was difficult to verify key points of information by multiple interviews. That said, there was the distinct feeling of breaking completely new ground, which is always satisfactory for a researcher or scholar or both.

Achieving access to institutions such as the European Parliament and the Scottish Parliament (to a meeting of its European Committee) was not problematic. Indeed within the EU directorates in Brussels and the institutions and organisations contacted in Scotland there was a great deal of willingness to assist with the thesis, and to share contacts or to recommend others in the field who might be of assistance. Several interviewees (unasked) produced documentation, some of it unpublished at the time, which provided greater insight their particular sphere of activity.

In the context of the case study, one of the most productive sources of information was the European Committee of the Scottish Parliament and its bi-monthly publication of reports, briefing papers and agenda material. The writer was also able to keep pace with developments taking place within the English regions and in Wales by having informal discussions and sharing ideas with colleagues engaged in similar types of study in those areas. Such exchanges proved extremely helpful in consideration of the suitability of the framing approach for application to EU policy-making in other countries (perhaps, for example, the accession countries) where systems differ from those in Scotland, and also in

forming a view on how other methodological approaches might be incorporated within future research.

Interviews conducted

Elspeth Attwooll, Member of the European Parliament (Scotland Lib./Dem.) – 19 June 2001(d) - Brussels, follow-up -16 September 2002 - Edinburgh

Ian Bache, Lecturer in Politics and Researcher, University of Sheffield – 2 May 2002 – by e-mail

John Bachtler, Professor, Centre for European Policy Research, University of Strathclyde – 13 May 2002 - Glasgow

Colin Campbell, Member of the European Committee of the Scottish Parliament (Scot. Nat.) – 30 April 2002 – by e-mail

Campbell Christie, Member of UK delegation to the Economic and Social Committee of the EU and ex-General Secretary of the Scottish Trades Union Congress – 20 May 2002 - Falkirk

Danny Coffey, formerly Councillor, Strathclyde Region; former delegate to the Committee of the Regions of the EU; currently District Councillor East Ayrshire - 4 February 1998 – Kilmarnock, Ayrshire

Adrian Colwell, Head of Policy (Corporate Strategy), Convention of Scottish Local Authorities – 5 December 2000 - Edinburgh

Fernando Criado Alonso, European Commission, Directorate General Regional Policy – 19 June 2001(a) - Brussels

Ron Culley, Chief Executive, Scottish Enterprise Glasgow – 23 May 2001 – Glasgow

Tricia Dakers, Civil Servant, Scottish Executive Development Department, European Structural Funds Division – 22 November 2000 - Edinburgh

Stefaan De Rynck, European Commission Secretariat General – 19 June 2001© - Brussels

John Edward, EU Policy Advisor and News Editor, Scotland Europa – 18 June 2001(a) - Brussels

Ricardo Gomez, Member of ESRC Devolution Team, University of Manchester - 26 April 2002 - by telephone

Charles Gray, Former Leader of Labour Group, Strathclyde Regional Council; former delegate to the Committee of the Regions of the EU; currently District Councillor, North Lanarkshire - 5 February 1998 – University of Strathclyde, Glasgow

Alistair Grimes, Chief Executive, Community Enterprise in Scotland – 1 May 2001 - Glasgow

Elizabeth Holt, Head of Representation, European Commission Representation in Scotland. European Commission's Representative in Scotland – 13 February 2001 - Edinburgh

John Home-Robertson, Member of the European Committee of the Scottish Parliament (Labour) – 30 April 2002 – by e-mail

Colin Imrie, Scottish Executive Development Department, Head of Structural Funds Division – 22 November 2000 - Edinburgh

Eileen Kelly, European Commission, Directorate General Regional Policy, Detached National Expert – 19 June 2001(b) - Brussels

Paul McAleavey, Member of Cabinet of Commissioner Wallstrom, Directorate General Social Policy – 18 June 2001(b) - Brussels

Rosemary McKenna, formerly Councillor North Lanarkshire; former delegate to the Committee of the Regions; currently UK Member of Parliament -11 February 1998 – Cumbernauld, Lanarkshire

Duncan MacPherson, formerly Leader of Highland and Islands Region; former delegate to the Committee of the Regions of the EU; currently semi-retired – 25 March 1998 – Gleneagles Hotel, Perthshire

David Martin, Vice President and Member of the European Parliament, Scotland (Labour) – 25 May 2001 - Edinburgh

Brian Meek, formerly Chief Executive Lothian Regional Council; former delegate to the Committee of the Regions of the EU; currently District Councillor, Edinburgh – 12 February 1998 - Edinburgh

Rt. Hon Bruce Millan, formerly Minister of State for Scotland; former Regional Commissioner in the European Community; now semi-retired – 18 March 1998 - Glasgow

Irene Oldfather, Member of the Scottish Parliament, Convenor of the European Committee of the Scottish Parliament; Member of the Committee of the Regions of the EU – 20 April 2001 – Irvine, Ayrshire, follow up - 18 March 2002 - by e-mail
Graham Pearce, Lecturer in Politics, University of Aston - 16 May 2002 – by e-mail

Lawrie Russell, Chief Executive, Strathclyde European Partnership – 29 May 2001 - Glasgow

David Smith, Assistant Clerk to the European Committee of the Scottish Parliament - 15 April 2002 - by e-mail

Ben Wallace, Member of the European Committee of the Scottish Parliament (Conservative) – 20 May 2001 - Edinburgh

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