The Reform of the EU Structural Funds: administrative adaptation and the prospects for regionalisation in Ireland

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1. Introduction

The recent negotiations on the reform of the structural funds provide an opportunity to reflect on what impact past EU policies in this area have had on the national and sub-national actors involved in deciding and implementing regional policy in the EU member states. The regional policy area is a complex one, as those who study European integration are seldom experts on territorial politics, regional identity or regional and local development, making it difficult to fully understand and know what is going on at the regional and local levels in the EU. For scholars interested in studying European integration it has tended to be assumed that increased regional activity, be it economic development or other aspects of regionalism, reflects an increasingly active sub-national level in the EU. Such an assumption is a large one to make, as the sub-national level is difficult to generalise about and characterise in simple terms - there is great diversity at this level, even in terms of what is meant by "regional" and "local". Nevertheless, working from this assumption, this paper examines the impact that European integration has had on regional and local activity; whether it has acted as a catalyst for development; and, how that has effected the relationship between the EU, national and regional/local actors.

In particular, the paper seeks to examine the impact that the structural funds have had on the relationship between the Irish Government, the local and regional actors in Ireland and the EU. The paper also places the most recent negotiations over the reform of the structural funds in a context that helps us to understand the current debate on regionalism, regionalisation and multi-level governance in the European Union. It asks if the relationship between these actors has changed since the beginning of EU regional intervention in the mid-1970s, and if so, in what ways has the relationship changed, and how can we conceptualise what has been happening.

The paper is organised around six sections. The first section explores the relationship between European integration and the regional context by considering how and in what ways it is possible to conceptually and theoretically think about this relationship. Following this preliminary discussion the next section examines the impact of European integration, especially the structural funds, on the Irish case. In particular, this is schematically organised around the notions of a variety of constitutional/political, administrative and economic impacts on Ireland. Section three considers the recent negotiations over the structural funds, examines who the players have been and what the negotiations have entailed. The penultimate sections look at Ireland and the negotiations, particularly with a view to understanding the debate over reform within Ireland and the debate amongst the member states and their representatives at the European level. In conclusion, the paper returns to the issue of whether the notion of multi-level governance is useful to understanding the Irish case and whether European integration has significantly impacted below the national level on the sub-national actors and processes in Ireland.

2. European Integration and the Regional Context

The study of European integration and its impact on the regional context in the European Union has been the focus of many recent studies (see Marks 1993, 1996; Rhodes 1995; Hooge 1996; Jeffery 1997; Christiansen 1997). Many of these studies have moved beyond looking at the descriptive level of the EU and its policies towards the regions, to thinking more conceptually and theoretically about what the increasing level of activity at the sub-national level means in terms of understanding European integration. For example, for some scholars the increasing level of regional activity supports federal approaches to understanding the EU, whereas for other scholars neofunctionalism seems to offer a useful means to understanding what is going on in the integration process. At the very least the level of sub-national activity means that we need to reflect on the utility of more traditional and intergovernmental approaches to the EU, as they simply do not provide very useful explanations for such activities, and by implication what other approaches might be useful to understanding this level of activity.

In this context, has the emergence of a literature on multi-level governance and neo or new institutionalism (e.g. Peters 1992; Marks 1992; Bulmer 1994; Peterson 1995 et al) provided a conceptually useful way of thinking about European integration and the regions, or is it simply another academic fad that serves little useful purpose? In answer to this question, the utility of this approach needs to be considered relative to that of the traditional "grand theories". In general, new attempts at conceptualisation and theorising are very welcome, as many of the traditional approaches appear too all embracing and generally do not seem to provide a very useful way of explaining the development of the EU. The study of European integration has been far too concerned with trying to categorise the EU, as well as being concerned with the outcome of the process and looking at factors promoting integration and disintegration, rather than focusing on the policy process and what this means in terms of governance.

In suggesting that new approaches are welcome, what does multi-level governance have to offer and is it useful? For example, does it provide a means for more systematically studying the European Union and understanding the manner in which decisions are taken and policies implemented? Furthermore, can this be combined with the tools and methods of comparative politics to provide a better means of understanding the EU that takes us beyond the notion that it is a unique political entity. Such arguments have been made by Hix (1994) and Richardson (1996), and such approaches are apparent in the work of Sharpf (1988) and Metcalfe (1994), where the tools of public policy analysis are employed to understand policy-making in federal style systems. Similarly, Meny suggests "public policy is at the heart of the challenges which post-industrial societies now face: of how to make politics, as politics becomes increasingly identified with the craft of making policy and how to combine the conflicting requirements of efficiency and democratic legitimacy" (1996: 1).

The two key concepts that this literature uses are the notions of a multi-level system and governance. In the first instance, the notion of a multi-level system is commonly used by those interested in federal/confederal style systems such as Canada, USA, Belgium and Germany. In such systems competences are shared and/or held at different levels in the system suggesting that power is diffused and decentralised throughout. The study of such systems focuses on the policy process as a negotiated one, which is characterised by policy communities and networks and where there is a high degree of interdependence. The second concept emphasises the notion of governance rather than government. For example, for Caporaso governance is seen as "collective problem solving in the public realm. It directs attention to the problems to be solved and to the processes associated with solving them, rather than to the relevant agents or to the nature of the political institutions associated with these processes" (1996: 32). The emphasis tends, therefore, to be less on the study of the institutions and more on the study of the relationships and space between them.

In relation to regions and European integration, the multi-level governance approach seems useful in characterising the varying sets of relationships that exist between the different actors, especially in terms of the different levels at which policy is decided and then implemented. Furthermore, the concepts of policy communities and networks seem appropriate to the area of study. Marks (1994) has employed such a framework to generally characterise and understand EU regional policy and has distinguished three phases of decision-making involving the negotiation of the financial package, the institutional context and finally the implementation of policy in which the political influence of the European Commission, central governments and sub-national actors varies. The difficulty with such an approach is that it may be more an accurate description of what is happening in the policy area, than a useful conceptual framework applicable to other areas of EU activity. Nevertheless, despite this reservation, multilevel governance does suggest a direct example of how European integration can influence regionalism and regionalisation.

In this context, this paper looks at the case of Ireland and the structural funds, and examines the type of impacts that European integration has had on regional policy in Ireland. In particular, how well does the notion of a multi-level system of governance stand up in the Irish case. For example, the characteristics of a multi-level system of governance would suggest that considerable policy adaptation and learning would have had to take place in the Irish context given the centralised nature of the Irish public process in response to the demands of the EU, its institutions and policies (Laffan and Tannam 1997). How has the Irish State responded to the EU policy environment? What types of impact has the EU had on Ireland, whether they be political and constitutional, or economic and administrative? The next section addresses these issues before moving on to consider how Ireland has responded to the most recent proposed changes to the structural funds.

3. Ireland and the Structural Funds

Irish accession to the European Community in January 1973 marked a significant turning point in Irish politics and signalled the maturation of the state and its willingness to engage the outside world. As early as 1960 many Irish politicians and officials were already committed to membership of the EEC, with some notable exceptions on the left of the political spectrum and among some nationalists (see Murphy 1997; Maher 1986; Keogh 1989). In light of the long battle for Irish statehood this is not surprising and helps to explain the reluctance of some individuals to embrace EEC membership. The initial failure of the British bid for membership adversely affected the Irish bid, but French opposition to British membership had lessened by the late 1960s and the departure of de Gaulle followed by the arrival of Pompidou changed the political landscape. Furthermore, the founding member states were by 1969 concerned with reinvigorating the integration process by means of both widening and deepening. In this environment the Irish Government successfully pursued its bid in 1967 for membership, first seeking to convince the public that membership was a good thing, and then demonstrating to its European counterparts that Ireland was ready to take on the obligations of membership. Ireland's bid for membership reflected a mix of economic pragmatism and political change.

In Ireland the campaign by the proponents and opponents of membership tended to revolve around the issues of economy, sovereignty, neutrality and social questions (Coakley, Holmes and Rees 1997). Those favouring a "yes" vote, which included the main political parties, trade unions, employers' organisations, farmers, and the Irish Council for the European Movement largely argued that membership was essential to economic growth and the overall development of the economy, while they also suggested Ireland's neutrality would not be compromised and that its sovereignty was maintained and enhanced through Community membership. The "no" vote was distinctly disadvantaged relative to the "yes" vote in that the Government of the day was supportive of membership and that it was able to utilise its position to advocate a "yes" vote. The "no" vote, which consisted of the Labour Party, "Official" Sinn Fein , the Communist party of Ireland and the Common Market Study Group (later the Irish Sovereignty Movement), were opposed to membership largely on the basis that this would diminish Irish sovereignty and therefore national independence, while at the same time threatening its policy of neutrality. The outcome of the referendum held in 1972 demonstrated overwhelming public support for membership, with 83% of the population in favour and 17% opposed, with a turnout of 70%.

Ireland's desire to join the EEC reflected both mass and elite views that Community membership was a "good thing" and would bring direct economic benefits to Ireland. In terms of economic development there was a need to modernise agricultural practices, as well as to develop trade and industrial links beyond Britain with continental Europe. It should, however, be noted that Britain remained Ireland's main trade partner and that this did not cease overnight. In 1972 Ireland exported 61% of its produce to Britain, by 1981 this had decreased to 40% and by 1990 to 34%, reflecting the growing importance of other member state markets. Following membership the Irish economy grew faster than any other economy in Europe during the 1970s with increasing investment and consumption. The 1980s witnessed a slump, but by the 1990s the Irish economy was again growing at a rate considerably ahead of its European partners. The extent to which the Irish miracle is a product of European Community membership is debatable, especially as it is difficult to determine precisely the impact of domestic and global changes relative to the impact of economic integration.

It is, nevertheless the case, that the Community has made a deep and lasting impact on Ireland at the political-constitutional, administrative and economic levels of Irish life. In some ways the impact is comparable to the British colonial legacy in as much as the EC has impacted at virtually every level in Irish society. It should, however, be noted that while public opinion remains supportive of Community membership, as indicated in the Amsterdam Referendum where 62% of those voting voted in favour of Ireland singing the new treaty, the overall turnout was at its lowest ever in terms of an EU referendum (add figure). In this context, what impact have the structural funds had on Ireland, particularly the European Regional Development Fund? Has the availability of funds and the requirements of EC/U funding changed the way in which Ireland focuses on the regional and local levels?

(a) Constitutional/Political Impact

In relation to the political and constitutional impact, the EU has had a very mixed impact on Ireland. On the one hand, the Irish sought to limit its influence on policy in Ireland at the earliest stage when the Regional Fund was created in 1975, while still seeking to maximise its financial gain. In the negotiations over accession and in relation to the creation of the Regional Fund, the then Irish Government convinced the European Commission that the whole country should be treated as a region for funding purposes, rather than focusing funding on certain areas of special need. In general, the Government argued that it was concerned with the overall level of economic growth and development which was its main priority and that what was good for the state at a national level was also good for everyone in the state. This view reflected the national goals of the Government, as well as being consistent with the views of officials in the Department of Finance, which was the most powerful department. It was also consistent with the political view that Ireland was too small to have regions and that local Government was not to be completely trusted, especially at a political level, where it was seen as being ineffective. In effect, the centralised nature of the Irish state and the distrust of local government ensured that the initial impact of the Regional Fund, as well as the Social and Agricultural Funds were limited.

There was also a more general sense in which the Irish Government did not need to adapt its existing constitutional or political structures at the outset, as the Commission was in a weak position relative to the member states during the first three years of the Regional Fund's existence. The EC regulations governing the Fund's operation limited its ability to direct how and in what manner EU regional assistance was used. The existence of national quotas guaranteed the member states a reasonable share of the available monies, while limiting the discretion of Commission officials, who were largely left with the task of dispersing the monies and ensuring that those projects funded were within the guide-lines. In effect, national authorities were empowered and acted as the gatekeepers between local and regional interests and the Commission. In both Britain and Ireland the national exchequers viewed available funds as a valuable source of additional revenues, but tended towards the view that such monies could be used to replace existing national expenditures rather than adding to them.

The Commission, however, was unhappy from the outset with its limited operational prerogative and was supportive of reforming the operation of the funding regulation. Limited reforms were made in 1979 and again discussed in 1981, but it was not until 1984 that more far reaching Commission proposals were agreed to by the Council of Ministers. The new regulations included the abolition of the quota system and the adoption of indicative funding ranges, a greater emphasis on coordination between national and Community levels, as well as adoption of the programme approach. In essence the Commission's role in regional and local development was beginning to grow, as was its overall ability to direct funds in a more discretionary manner. The changes were far from revolutionary, and in the Commission's view did not go far enough, but they provided the basis for more far reaching reforms in 1988, which has helped to change the relationship between the Community, national and regional/local actors.

The 1988 structural fund reforms, following from the explicit commitment to economic and social cohesion in the Single European Act, more directly impacted on the manner and the way in which the EU member states addressed regional imbalances in the European Community. The doubling of the structural funds between 1988 and 1993, representing 24.8% of the EC budget by 1993, as well as the targeting of these monies on the poorer EU regions, had a noticeable impact in Ireland. Whereas under the previous rounds of funding Ireland had not changed its policy towards regional development, which was largely focused on national economic growth, rather than specific regional problems, the new proposals posed a number of new challenges for politicians and officials. In particular, the emphasis on an explicit National Development Plan for

Ireland, as well as specific operational sub-programmes, was meant to focus attention on regional problems and provide the impetus for a more organised and concerted approach to regional problems. In Ireland the Government had to engage in a process of regional and local consultation that it would otherwise probably not have done. The process, as discussed in the next section, was far from comprehensive and the final National Development Plan represented the Government's view as much as any regional or local interests.

The change in the Commission's approach to regional development signalled in 1988 and 1993, with a particular and growing emphasis on bottom up development and employment generation, posed a significant challenge to the way in which the national Government managed the structural funds in Ireland. Up until the early 1990s successive Irish Governments had been reluctant to consider the empowerment of local and regional actors and local democracy in Ireland was underdeveloped; although the overall competence of local government administration was not in question and the county management structure was seen as important to the delivery of local services. The current period, however, has seen some changes in the relationship between the national and local/regional levels, with a move to reorganise local government, and a greater emphasis on supporting bottom up development through partnership companies and other agencies. The changes are a response to a complex mix of factors that include pressure from the EU to change, economic growth and development, as well as pressures from local and regional elites for greater involvement. The ongoing debate concerning further regionalisation in light of the reform of the structural funds is discussed in the following sections.

(b) Administrative Impact

The administrative impact of the structural funds on Ireland has varied between the national and sub-national levels of government. At the national level, early governments tended towards a centralised style of management, with a view to maximising the financial take from the regional and other structural funds. In practice this meant that funding applications were managed by central government departments, with the Department of Environment compiling bids for funds and the Department of Finance overseeing the process with a view to ensuring Ireland could meet Community funds with the required level of matching funds. In some Government departments specialised EC coordinating units were created with the objective of ensuring the smooth management and administration of EC projects (Laffan 1989). In general, Brussels saw the Irish administrative system as being efficient and effective in its take up and administration of funds, although the economic impact of such expenditure in Ireland was less clear.

At the sub-national level, the impact of the structural funds was far more limited and led to limited administrative change in the way in which local and regional actors behaved (Rees 1997). The sub-national level in Ireland largely referred to the county structure, which was the level at which local government was managed, although the national government had decentralised some functions to regional offices, as well as being involved in a number of semi-state bodies. At a practical level, local government had little direct involvement with the European Community with most of its dealing being indirectly through national government departments. A further factor that may have hindered and limited its ability to directly deal with Brussels was the lack of local government finance and taxing powers, which meant that local government usually required national support in order to co-fund projects with the EC. There was also little practical experience of dealing with the EC during the 1970s and early1980s. Since 1988, however, some changes have been occurring that suggest the Community has had a greater impact on local and regional and structures in Ireland.

The 1988 reform of the structural funds required national governments to involve local and regional actors in the design and implementation of national development plans. In the Irish case the Government engaged in a round of local consultation in order to draw up the National Development Plan (1990-94). However, while consultation took place, many at the local level felt that much of what they suggested was ignored by the national Government in its final submission to Brussels. Similarly, within the Commission those officials involved with the Irish submission were conscious that the Government had made a largely symbolic attempt at consultation and that the plan envisaged a limited role for local authorities. Indeed, even the operational sub-programmes were largely to be managed by national Government departments and involved very limited local participation. On the plus side, the initial creation of eight regional committees for consultation were retained and were formally called regional authorities as of 1994, although their powers were limited and largely confined to coordination of the different local actors (Collins 1989) The development of the second National Development Plan (1994-99), following the 1993 reform of the structural funds, involved greater consultation, although to what effect was less clear (Laffan and Tannam 1998: 80).

The 1990s witnessed some changes that have brought local and regional actors into closer contact with Brussels. Local authorities have developed a greater awareness of the EU and of its impact on their daily work, ranging from procurement and tendering policy to specific EU programmes. The pattern of involvement and contact with Brussels officials is still very sporadic and uneven, with some local authorities far more involved in EU activities and aware of opportunities than others. As one commentator noted of local and regional actors in Europe 'there are some bright stars but many black holes' (Coyle 1994), suggesting the unevenness of European-local contacts. Some of the County Councils have appointed individuals with specific responsibility for EU matters, but even in those authorities where this has happened, the persons concerned seldom work solely on EU matters. In some cases, while local officials have developed an awareness of EU programmes, locally elected councillors have not shown as much interest. What this suggests is that the national level is not always the barrier to closer involvement in European programmes, especially as some of the specific Community Initiatives do not necessitate the involvement of national actors, but that the local level sometimes lacks the ability to fully engage European matters. A potentially more interesting development is the growing involvement of other non-local authority actors in local development and their desire and willingness to become involved in European-level projects (see OECD report 1996).

(c) Economic Impact

The economic impact of the structural funds on Ireland can be assessed in a number of ways (see Scott 1994). On one level, the inflow of funds and general level of support for infrastructure projects, training and development, as well as for rural enterprises, has contributed to Ireland's economic growth and is a part of the economic success story. On an infrastructural level the improvement of roads, especially the national primary routes, sewage and water mains works, plus training projects, are tangible examples of the impact that the structural funds have had in Ireland. For example, 307 kms of national primary roads have been improved or upgraded and 1700 kms of roads supporting industrial estates have been upgraded (Commission 1998). Thus, virtually every community in the state has been touched by such developments and signs beside the roads regularly acknowledge the assistance of the European Regional Development Fund and the Cohesion Fund.

The overall economic performance of the Irish economy has been particularly strong since membership of the European Community. This is reflected across a range of economic data that include growth in GDP, personal and public consumption, an increase in industrial production, an expansion of exports, while a reduction in unemployment and the controlling of inflation. As a result of the boom in the Irish economy GDP per head grew from 63.3% of the Community average in 1989, to 76% by 1991 and most recently to 99.3% in 1996. Most significantly, Ireland was the only cohesion state in which GDP reached the average, whereas in Greece it did not change over this period, and in Portugal and Spain it only grew at modest levels. It should, however, be noted that the rapid growth in GDP per head has not been mirrored in the growth of GNP per head, which was slower and only reached 83% in 1995

In particular, receipts from the structural funds have contributed significantly to the GNP, with some estimating that this was equivalent to 5.5% of GNP between 1985 and 1991 (see O'Donnell). Ireland received IR£1.85 billion from the EC, or 7.8% of GNP, following the reform of the structural funds in 1988. In the 1989-93 Ireland was allocated 6.667 billion ECU under the Objective 1 Community Support Framework (CSF), whereas this was reduced to 5.620 billion ECU under the 1994-99 CSF. In general, while Ireland has continued to benefit from its Objective 1 status, other states such as Germany and Italy have also become recipients of increasing amounts of money under Objective 1. Ireland has also received financial support from the following Community Initiatives: Interreg, LEADER II, EMPLOI, ADAPT, SME, URBAN and PESCA.

The perceived role of Structural Fund allocations in the emergence of the Celtic Tiger should, however, be considered alongside a number of other factors which have also contributed to the growth levels in the Irish economy. First, there was a broad social consensus in 1986/87 that a period of austerity would be required in order to get the economy into shape, thus limiting wage agreements (which in turn assisted competitiveness) and allowing the Government to instigate a period of budgetary control. Second, a large influx of Foreign Direct Investment (FDI) 'creating' a new sector of industry around high value-added operations (such as technological and pharmaceutical companies) which were attracted by low corporate tax rates (10%), and a well-trained and English-speaking work force. Third, exchange rate stability in international markets and fourth, the introduction of the Single European Market (as mentioned previously), have both contributed significantly. Structural Fund transfers must be considered alongside these factors.

In summary, the Community has had a significant, if varying impact, on the constitutional, political, administrative and economic system in Ireland. The machinery of government has had to change and adapt in order to cope with the day to day management of the structural funds, but such adaptation as and where it has occurred has been in response to demands made on it by Brussels. The political system, especially politicians, have been much slower than civil servants to adapt to changing times, and have tended to assume that limited and symbolic change may be sufficient to satisfy the

EU, whereas the Eurocrats tend to be disappointed with Ireland's often defensive reaction to policy change. On the other hand, developments at the local and regional levels suggest that there is the possibility for much local innovation and partnership, sometimes outside the local authority domain, which bodes well for the future. There is also an increasing willingness at this level to learn from other regional actors in other states, as well as to share experiences and ideas, which again suggests that bottom up development is very much an important part of the integration process. At this level, European integration has had a limited but still positive impact on the local and regional level, providing some stimulation and networking possibilities, but the process is far from even and varies considerably even within Ireland.

4. Negotiating the Reform of the Structural Funds

Before moving on to discuss the empirical information surrounding the Irish Government's regionalisation strategy and its implications for sub-national administration and governance, it is helpful to place the situation in context by looking briefly at the background to the Structural Fund reforms themselves. As already mentioned, the last major overhaul of the Structural Funds took place in 1988, against a backdrop of enlargement and the creation of the Single Market. Whilst the Treaty on European Union made Economic and Social Cohesion a key objective of the EU, further adjustments made to the legal framework in 1993 were designed to consolidate and improve the structures put in place five years earlier - although they did also provide for a thorough review of the Community's approach to the reduction of regional disparities.

The First Report on Economic and Social Cohesion adopted by the Commission in November 1996 revealed some key facts concerning the 'economic and social cohesion' situation of the Community – and whether the Structural Policies adopted so far had been effective. In terms of economic and social convergence, the figures looked good. Disparities in per capita income between the Member States had been reduced, mainly because the four 'Cohesion Countries' (including Ireland) had begun to catch up – incomes had risen from 66% to 74% of the Community average. However, although the least prosperous regions (Objective 1) together had increased their average net per capita income from 64.6% to 67.2% of the EU average, disparities in incomes between regions had remained broadly unchanged over the previous decade. Furthermore, disparities in income had increased within virtually all the Member States, and regional variations in the unemployment rate had grown sharply. The message that emerged was that the Structural Policies to date had not resulted in the cohesion for which they were designed.

In its communication "Agenda 2000 – for a stronger and wider union" of July 1997, the Commission set out its proposals for the reform of EU policies, the process of enlargement and the financial framework for the period 2000-2006. A key element to these proposals was that economic and social cohesion should remain a high political priority. The proposals themselves were in four main groups:

a) reform of the Common Agricultural Policy regulations;
b) reform of the regulations on the Structural and Cohesion Funds;
c) reform of the pre-Accession instruments; and,
d) the Financial Perspective for 2000-2006.

The complexity of the policy linkages, along with the sensitivity of the proposals in terms of their effect on Member State allocations of EU assistance, resulted in a lengthy period of negotiations which were finally completed at the Berlin Summit of March 1999. This will be dealt with specifically in relation to the Irish case later on. At this stage, it is helpful to outline the key elements of the Commission's proposals for reform of the Structural Funds, focusing on the elements which are relevant to the Irish plans. The proposals were based on the three principles enunciated in Agenda 2000: concentration, simplification, and clarification of responsibilities. At the core of the Commission's proposals – and in a general attempt at greater concentration of funds - the number of Objectives were proposed to be reduced from seven to three. Of particular significance here are the criteria for the proposed new objectives based on geographical units:[1]

- ***Objective 1:***
  - to help those regions with a level of development less than 75% of the Community average (measured at NUTS II level in terms of GDP per head, based on figures over the previous three years);
  - also proposed was the inclusion of the most remote regions and the Objective 6 regions from the previous round of funding;
  - in order to achieve consistency, there would also need to be a perfect overlap with regions aided by the Member States under Article 92(3) of the Treaty; and,
  - regions qualifying for Objective 1 status in the previous round, but not eligible for the new list would have their assistance phased out gradually over 6 years with 'transition' status, ending at the end of 2005 (or extended into 2006 for those regions meeting the eligibility criteria for Objective 2).

- ***Objective 2:***
  - to support the economic and social conversion of areas experiencing structural difficulties e.g. industrial, urban, rural and fisheries-dependent areas facing structural problems of socio-economic conversion;
  - the Member States must propose areas they consider most seriously affected, based in particular on NUTS III data provided by the Commission. Other criteria will be dependent on the type of area proposed;
  - only areas that qualify for the derogation in Article 92(3)(c) of the Treaty;
  - areas currently eligible for Objective 2, but no longer eligible under the new criteria will be have their assistance phased out gradually up to 31 December 2003.

Greater concentration was also proposed with: the reduction of the number of Community Initiatives (from 13 to 3); improving the geographical concentration of the previous Objectives 1 and 2 from 51% of the population of the fifteen to between 35 and 40% (split almost equally), and below the level for eligible areas under Articles 92(3)(a) and 92(3)(c); and, concentrating two thirds of all available Structural Funding on Objective 1 regions.

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[1] A final proposed Objective (Objective 3), was aimed at supporting the adaptation and modernisation of education, training and employment policies. The new Objective 3 would provide a frame of reference for ESF assistance in pursuit of the Structural Fund goals, but is not based on geographical units.

5. Ireland and the Negotiations

As mentioned previously, for the 1994-1999 round of Structural Action the whole of Ireland qualified as a single Objective 1 region at NUTS II level, with a per-capita GDP below 75% of the Community average. Having now passed the 75% threshold by a considerable margin, the implication for the Irish Government's strategy in the Structural Fund negotiations was that the country would not be able to retain full Objective 1 status under the new proposals. It would, however, be entitled to the status of Objective 1 region in transition. In practice, transition status would involve a gradual phasing down over the period 2000-2006 of assistance from Objective 1 levels to Objective 2-type levels of assistance. Of crucial significance here is the relationship between the Regional Aid Guidelines published in March 1998 and the Structural Fund proposals on the table for negotiation. In effect, only Objective 1 regions would be eligible for the highest level of aid (40% maximum) as Article 92(3)(a) regions – Objective 1 regions in transition would be eligible for much lower rates of aid (20% maximum) as Article 92(3)(c) regions. It is against this background that the Government began to consider the 'regionalisation' approach for Ireland and initiated a consultation process between Government Departments to assess the impact of the proposed changes in mid-1998.

The Irish Government was considering two possibilities. First, to reconstitute the existing single NUTS II region of Ireland into two new NUTS II regions using the existing NUTS III boundaries, creating a 'western' and an 'eastern' region. The western region would comprise the geographical area currently covered by the Regional Authorities of the Border, West and Midlands (the 'BMW Region'). Each of these has a per-capita GDP figure below the 75% threshold and would therefore be entitled to full Objective 1 status in the next round of Structural Actions. The eastern and southern region would comprise the rest of the country, which would then be entitled to status as an Objective 1 region in transition.

The second option followed a similar logic in that it also involved the creation of two new NUTS II regions. However, it was more ambitious in that it involved re-drawing boundaries at NUTS III level to allow a more comprehensive coverage of the western seaboard, so that both County Clare and County Kerry would also be included in the new western NUTS II region (i.e. BMW plus Clare and Kerry). This new western region would still be below the 75% threshold. In the current NUTS III arrangements, Clare is part of the Mid-west sub-region and Kerry part of the South-west. In addition, other counties contiguous to the Midlands NUTS III region were also being considered for possible inclusion.

The strategy finally adopted by the Government – to apply for the second option – was, according to a Government Press Release, based on the following reasons:

a) to ensure that at least part of the country would qualify Objective 1 status in the next round of Structural Funding;
b) to ensure that the region qualifying for Objective 1 status would also qualify for the highest level of assistance under EU State Aid guidelines; and,
c) to keep open the possibility of continued EU assistance on a transition basis for this region in the period of funding after 2006.

Effectively, the Government recognised that it no longer had the option of negotiating and managing funds on a national basis and was therefore left with no option but to regionalise if it were to reach its objective of maximising EU structural assistance. In addition, the focus on regionalisation had its origins to a large degree in the Government's requirement to split the country for the purposes of the Regional Aid Guidelines.

Two main obstacles stood in the way of the Government's plans. First, the decision to split the existing single NUTS II region of Ireland into two separate NUTS II regions would, as with all reclassification of NUTS units, require the approval of Eurostat. Purely on population and area grounds, the proposals being put forward by the Irish Government were reasonable - as a single NUTS II region, Ireland is very large by reference to the European average and unique as a single NUTS II Objective 1 country (see Table 1). Futhermore, a precedent was in the process of being set in the U.K. with the creation of two new regions at NUTS II level of Cornwall and west Wales. The Government's consideration of the second option was at the time at least in part based on developments in the UK.

Table 1: Comparison of Proposed Irish regions to Average NUTS II region 1996

	Border, Midlands and Western	Southern and Eastern	EU Average[2] NUTS II
Area (Sq. kms)	33276	36997	15684
Population	965000	2661000	1812000
Output[3] (IR£ billion)	7.8	31.9	21.3

Source: Duplicated from Fitzpatrick Associates (1999: 6). Original quoted sources: CSO regional Accounts 1996, CSO Census 1996 and Eurostat, Various.

Second, the implications of the adoption of a regionalisation approach for Ireland for the Communty's regional policy as a whole meant that the decision would also be referred to the European Commission. The strongest reservations about the Irish Government's plans were voiced by DGXVI. The Commission's main concern was centred on the possibility for wide-ranging application of the re-drawing of regional boundaries throughout the EU, which would have serious implications for one of the key objectives of the current SF negotiations, notably improved concentration of resources. In addition, an approach based simply on 'subsidy-shopping' rationale would be unacceptable for the Commission, which would require some significant administrative devolution to the regions concerned.

In reality, the final decision to apply to Eurostat for a reclassification based on option 2 was also preceded by a sustained and well-publicised national campaign by politicians and pressure groups whose motivation was also predominantly subsidy induced, rather than an interest in regionalisation as an alternative to the hitherto centralised state of affairs. Nevertheless, Eurostat's final decision to reject the modification of the existing NUTS III regions, but to accept the proposal to create two NUTS II regions was not entirely unexpected. If a line had to be drawn somewhere, then simply drawing new

[2] Average area is calculated by dividing total area in the EU-15 by the number of NUTS II regions. Average population is calculated by dividing total population in the EU-15 by the number of NUTS II regions. Average output is calculated by dividing the total GDP for the EU-15 by the number of NUTS II regions.

[3] The output figures for the proposed Irish regions are equal to the 1996 Gross Value Added figures. The EU-15 output figure is equal to 1996 GDP.

boundaries at NUTS II level was more acceptable than re-drawing old NUTS III boundaries first !!

Following this decision, the final outcome of the Berlin negotiations encompasses the reclassification of Ireland into two regions, of which one (the Border, Midlands and Western Region) will retain full Objective 1 status while the other region (the Southern and Eastern Region) will be treated as a region in transition under Objective 1. This transition status will last for six years but in the seventh year, 2006, residual amounts of funding from the various Funds will still be available under various headings. There are economic and administrative implications of this decision.

It is estimated by the Government that the regionalisation approach has secured an amount of approximately £IEP 470 million (Euro 600 million) over and above what would have otherwise been available to Ireland. Subject to confirmation when the Commission approves Member State shareout, Ireland's overall allocation from Structural and Cohesion Fund support in the next round will amount to approximately £3.3 billion (Euro 4.25 billion).[4] In terms of Structural Actions, approximately £2.36 billion (Euro 3 billion) will be available for mainstream structural actions over the next seven years. About £945 million (Euro 1.2 billion) of this will be allocated to the Border, Midlands and West Region with the remaining £1.4 billion (Euro 1.8 billion) allocated to the Southern and Eastern Region.

In relation to Community Initiatives and the Peace Programme, the latter of which was also used as a major negotiating chip by the Irish Government, about £197 million (Euro 250 million) will be available to Ireland from the Community Initiatives and the special Peace Programme. The £118 million (Euro 150 million) from the Community Initiatives will encompass the INTERREG Initiative (enhancing cross-border, transnational and interregional cooperation), the LEADER Initiative (assisting rural development) and the EQUAL Initiative (transnational cooperation to combat all forms of discrimination and inequalities in the labour market). The overall Peace Programme will amount to e 500 million, of which Euro 100m reflects Ireland's share. This Euro 100m will be spent in the Border counties. The remaining Euro 400m of the Peace Programme will be allocated to Northern Ireland. About £400 million (Euro 0.5bn) will be available to Ireland over the next four years from the Cohesion Fund (a mid-term review in 2003 is likely to see Ireland exceed the threshold for Cohesion Fund eligibility: 90% of the average EU per-capita GNP). Receipts from the Cohesion Fund will be divided on a roughly 50/50 basis between projects in the transport sector and environmental projects.

In summary, the financial impact of the Government's strategy suggests that the agreement for Ireland represents a very satisfactory outcome in circumstances where overall Community expenditure was under pressure and Ireland's recent dramatic economic progress was militating against its share.

In administrative terms, the outcome has significant implications for the organisation of sub-national levels within Ireland. Essentially, two new 'Group Regional Authorities' (GRAs) will be created which will equate exactly with the new NUTS II regions: the Border, Midlands and Western Group Regional Authority; and, the Southern and Eastern Group Regional Authority. In practice, therefore this approach implies the

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[4] This overall figure takes account of the transfer of headage payments from Category II of the EU Budget to Category I which covers the whole of agriculture in the new Financial Perspective.

creation of an extra 'level' which effectively comprises an agglomeration of the NUTS III level Regional Authorities. Indeed, the existing 8 Regional Authorities will continue to exist at NUTS III level since, inter alia, the NUTS classification also requires an institutional presence at that level. Whether the GRAs will differ significantly from the existing RA's may be assessed by looking at the proposed membership, administration and responsibilities.

The proposed membership of the GRAs is broadly similar to that of the existing RA's. Membership will comprise elected representatives from the constituent NUTS III regional authorities, nominated by county borough and county councils within the NUTS II area. When nominating their representatives on the NUTS III regional authorities, the county boroughs and county councils will be required to nominate two representatives to be members of the GRAs – therefore BMW-GRA will have a membership of 32 and SE-GRA 36. The administration of the GRAs is still unclear. The proposed 'reasonable staffing complement' has yet to be decided, although this is likely to consist of a Director, spatial planner and a number of supporting executive and clerical staff. The Director will report to the GRA.

In terms of responsibilities, creating agglomerations of the NUTS III levels would tend to imply that the new GRAs will in practice carry out a significant coordinating role with respect to their constituent RA's. In reality, the Government proposed the following responsibilities for them:

a) promoting co-ordination of the provision of public services in their areas;
b) advising the Government on the regional dimension of the National Development Plan (NDP);
c) Monitoring the general impact of all EU programmes of assistance under the CSF in their functional areas; and,
d) Managing EU regional operational programmes in the next CSF.

In comparison with the current RA's, the new groupings will cover similar responsibilities in relation to a) and c) above. First, in a domestic context, the role of the GRAs will be limited to that of co-ordination and advice. They will be responsible, for example, for coordinating activities between local authorities, local authorities and public bodies, and joint actions between such organisations. They may also be expected to promote consistency and compatibility between the policies and plans of such bodies with those of Government Departments. This will include offering advice to local authorities, existing regional authorities and public bodies about the spatial impact of their activities and their impact on balanced regional development.

In addition, the GRAs will, like the RA's, have an input into the programming monitoring committees which have responsibility for making programming decisions under the National OP's. In addition to membership through the Chairperson, the GRAs will have one representative from each of the NUTS III regional authorities on the monitoring committee. The increased responsibilities and involvement for the GRAs in this respect (and overall in the NDP and CSF – see below) is likely to lead to the abolition of the EU Operational Committees of the existing regional authorities, which will become obsolete. In both of the above cases, there will simply be a transfer of responsibilities from the Regional Authorities to the new GRAs.

However, in comparison to that currently enjoyed by the RA's, it is envisaged that the GRAs may also have an enhanced role in two areas. First, the influence of the GRAs to the National Development Plan will be significantly greater than that currently enjoyed by the RA's. Currently, the regional authorities are consulted by the Department of Finance for their views on the investment priorities for their regions. The GRAs will similarly be consulted at this preparatory phase, but will also be consulted at the draft final NDP stage before the NDP is submitted to the Government for approval. However, it is important to point out that the Central Government will retain ultimate responsibility for the content of the NDP and Community Support Framework.

The second area where the GRAs will enjoy an enhanced role is under d) above, where a key new function will be responsibility for managing regional operational programmes under the CSF – to date, the function of managing structural fund programmes has been the exclusive preserve of Government Departments. The GRAs will be responsible for:

a) drawing up proposals for programming in the Regional OP, including financial reallocations;
b) preparing payment claims to the administering authorities for each fund;
c) arranging payments under the programme;
d) writing the annual report for the programme;
e) organising the Mid-Term Review of the programme; and, ensuring that the implementing bodies provide for proper management and financial control of measures, etc.

To some extent, therefore, the assignment of the management of regional programmes represents a devolution of responsibility to the GRAs acting as a 'managing authority'.

7. Conclusions

At the outset of this paper, a question was posed: what impact have the structural funds had on the relationship between the Irish Government, the local and regional actors, and the EU ? The straightforward answer is that the financial impact of the structural funds has been growing, but that the administrative and political impact still remains limited by the very nature of the Irish political process. This reflects in a broad sense the overall Irish response to European integration, which has been highly pragmatic and focused on the economic benefits of membership. Irish politicians in Europe have been concerned with deriving the maximum benefits for the economy, which has generally been translated into promoting national economic growth, while ensuring that traditional client groups, such as the farmers and industry, are included in the modernisation process. In this context, the Irish administrative system has proven both adept and adaptive to the demands being made on it by the EU. It has earned a reputation among those who are responsible for the administration of the funds in the European Commission as being efficient and effective in its management of the structural funds. It has also, however, been criticised by those same people for not going far enough and for making only symbolic gestures in relation to the involvement of local and regional actors in the policy formation process.

The Irish case study is interesting, however, as it suggests that the overall set of relationships between the actors remains more hierarchical than some proponents of multi-level governance would suggest. It is, of course, hard to simply characterise all of the sets of relations in the Irish case in this manner, as the relationships vary according to the stage of the policy process examined, as suggested by Marks (in Hooghe 1996). For example, as would be expected, local and regional actors have had an active role in the implementation of policy. The Irish case must, then, give advocates of multi-level governance cause for concern, as it does not conform to the descriptive notion of multi-level governance. It is nevertheless an interesting case study in that it suggests how the Irish government has responded and adapted to EU policy changes, as well as being suggestive of how the political system and the pressure groups in it, have shaped Irish policy towards the EU. It is very noticeable that the present Irish government, as well as the previous government in office, spent considerable time preparing the public and interest groups, for the changes proposed in the Agenda 2000 package. The Irish negotiating position was shaped by the need to be seen to be defending Ireland's objective one status, while at the same time adapting to policy changes that would reduce Ireland's share of the structural funds. The aim, therefore, was to cut the best deal possible for Ireland in light of its changed economic circumstances.

The outcome of the negotiations and the decision to divide Ireland into two regions, whereby the Border, Midlands and Western Region would retain Objective 1 status, while the remaining part of the country would be classified as Objective 1 in transition, reflected continuing Irish pragmatism. It was a direct response to a policy development at EU level, but it also suggested the dominance of a 'top-down' approach. The government's actions were motivated by a desire to retain as much structural assistance as possible rather than much of a commitment to the involvement of regional and local actors. Furthermore, although a vociferous and well-publicised 'bottom-up' regional lobby may claim success in persuading the government to go down the path of regionalisation, the evidence suggests that the government's mind was made up long before the debate fully entered the public domain.

As a result, Ireland will have two NUTS II regions, as well as the eight NUTS III regional authorities. The creation of two such entities at NUTS level II appears more an administrative convenience than any genuine attempt at regionalisation. It is difficult to conceive of these structures having much political or regional significance, beyond being administrative entities for the national government. Nevertheless, as the previous section suggests, they are playing a role in both the formation of the next National Development Plan, and may yet prove to have a say in the Community Support Frameworks and in the implementation of the operational programmes. This may mean that they will take on a greater political significance in the overall policy process than might be expected in light of their artificial contrivance. However, if their role has a purely EU/Structural Funding focus, this would also imply that such a role will be limited by the life-cycle and constraints of this assistance.

In conclusion, European integration has impacted on the relationship between the national government and the sub-national actors in the Irish case, but possibly not in the way that might have been predicted. In many ways the Irish national government remains a gatekeeper and centrally involved in the administration and management of the structural funds. In so much as the system has changed and adapted, it is as a result of central government actions, rather than in response to pressure from local and regional actors. Such change has usually been prompted by pressure from the European Commission or in response to anticipated new EU policy. In painting this picture of the process, it also needs to be acknowledged that local and regional activity has been growing and that bottom-up development is in vogue. There has, however, seemed to be little political demand for regionalism and 'bottom-up' development has tended to be isolated from the political process, rather than a response to it. It is illustrative that the Irish sub-national level of government is one of the least mobilised of the EU-15 when it comes to direct representation at a European level. Further research is required on the linkage between bottom-up development and European integration, as well as on how the Irish government supports and manages pressures from below in the overall development process.

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