Regional or Local?

The EU's Future Partners in Cohesion Policy

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I. Introduction*

Under which circumstances does a community experience a 'cohesion deficit'? There are no universally agreed criteria for determining cohesion or a lack of cohesion that would allow us to suggest an answer to this question. According to one account, cohesion policy involves taking actions to achieve 'an acceptable degree of real disparities' as indicated by regional GDP per head or regional unemployment rates (House of Lords 1992: 7). However, who is to decide what constitute acceptable degrees of disadvantage in a political community? What is deemed as an acceptable level of inequality will vary according to political ideology, and can also change over time. This paper goes to the heart of European Union (EU) cohesion policy to examine how disparities manifest themselves at the EU level, and more specifically, how they are dealt with on the EU policy agenda.

We argue that policy responses have been organised in primarily *regional* terms in recent years, but that a new concern for *sub-regional* policy responses is increasingly apparent. In taking the *content* of EU cohesion policy as our starting point, we find that a new focus at the micro-level is being promoted by the European Commission as a result of its policy aim to *increase targeting*, this in turn being viewed as a mechanism to respond more effectively to real disparities as they are currently experienced by EU citizens. By entering the debate through an analysis of the content of EU cohesion policy, we are then able to speculate on the future shape of territorial political mobilisation around this policy area and suggest an enhanced role for local-level actors.

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* Although the authors are officials of DG V and DG XVI of the European Commission respectively, it must be noted that this paper reflects their <u>personal views</u> only. In no way are the views expressed herein intended to reflect the opinion or position of the European Commission.

Analysis of the European Union's cohesion policy is primarily approached from one of two main perspectives. Firstly, there is a growing community of political scientists who question what is happening behind the 'outer shell' of the Member States in the field of cohesion policy. The mobilisation of sub-national actors in the context of the Structural Funds, and more particularly the implications of the principle of partnership, have attracted the attention of various scholars (Leonardi 1992; Marks 1992; Hooghe & Keating 1994; Hooghe 1996). The 'territorial politics' approach has reinforced the argument that the polity of the European Union is no longer dominated by national governments. Regional mobilisation around the formulation and implementation of Structural Funds policy has also fired the imagination of those making the political appeal for a 'Europe of the Regions'. A second major perspective has been that of the regional economist. Much effort has been devoted to assessing the impact of cohesion policy on the process of economic convergence between Europe's regions (Vanhove & Klaassen 1987; Keating 1995 for an overview; Dunford 1997).

This paper combines elements of both perspectives by focusing on the content as well as the politics of cohesion policy. While the trend towards greater interaction between the European Commission and regional actors throughout the 1980s and early 1990s is indisputable, it may be argued that this interaction was sought by the European Commission for technocratic reasons related to policy effectiveness, and not simply as an attempt to encourage the mobilisation of regional institutions (McAleavey 1995). We provide evidence that the European Commission is now increasingly interacting with local actors (at the sub-regional level) in the cohesion policy field in the late 1990s.[1] Again, factors inherent to the very nature of cohesion

[1] Of course, there is an enormous diversity in terms of the territorial administrative organisation of Member States, particularly between unitary and decentralised Member States. In an attempt to circumnavigate this complexity, the European Union uses the technocratic standard of NUTS (*Nomenclature des Unités Territoriales Statistiques*). EU cohesion policy currently uses NUTS level II (for Objective 1) and NUTS level III (for Objective 2). By 'locality' in this paper, we therefore mean local areas in a general sense covering territories below NUTS level III.

policy (its aims, instruments, definition and effectiveness) must be considered alongside institutional political dynamics.

In terms of its methodological approach, this paper therefore takes a step back from a purely process oriented, institutional analysis. Our starting point is not that of institutional interaction in order to draw conclusions about a perceived process of reconfiguration of territorial power relations. Nor are we resorting to another methodological extreme in order to present an equilibrium situation, a snapshot of institutional arrangements and relationships of power as they are played out under the present regulations and financial allocations. Rather, we propose an analysis of the contents of the cohesion policy 'garbage can' (Cohen, March & Olsen 1972) and therefore an assessment of what type of policy it actually constitutes. This approach leads us away from the region as the central unit of analysis. Crucially, when we ultimately draw 'territorial conclusions' from our policy contents centred approach, we argue that actors at the local level, as opposed to actors at the regional level *per se*, will play a major role in cohesion policy in the future.

Not being in possession of a crystal ball, we do not want to fall into the trap that awaits many process oriented studies; that of over-emphasising the explanatory power of the dynamics of the process under study. In short, we do not conclude that the hope of a 'Europe of the Regions' in the 1990s will be replaced by a 'Europe of the Communes' in the new millennium. Nevertheless, our analysis of the policy content of cohesion policy (section III) and a range of empirical evidence on the enhancement of the local dimension in the EU (section IV) lead us to conclude that, in any analysis of the territorial politics involved in cohesion policy, the role of local level actors is likely to be increased. Our presentation and assessment of the possible explanations why this is the case (section V) again lends weight to our argument to focus on the substantive content of cohesion policy. We begin, however, by outlining the privileged role foreseen for regions in the current cohesion policy arena.

II. Regions as the Motors and Beneficiaries of Cohesion Policy?

The use of the term 'cohesion policy' in this paper should be clear and unambiguous from the outset. As the *First Cohesion Report*, presented recently by the European Commission, makes clear, practically all EU and Member State policies will have some distributional consequences and will therefore impact upon the cohesion effort (European Commission 1996a). Such a broad-based approach to the question of cohesion is not used here. The focus of this paper is upon economic and social cohesion as it is pursued under the major EU financial instruments set up to that end (and in particular the Structural Funds, rather than the Cohesion Fund or the European Investment Bank *per se*). If this simple use of the term 'cohesion policy' is clear, the same cannot be said for the way the term 'cohesion' is set out in legal and official documents. Cohesion is an inherently ambiguous concept.

The European Union's growing role in promoting cohesion is reflected in two major Treaty changes in the last ten years. The chapter on economic and social cohesion in the Single European Act (1987) provided a basis in the Treaty for the radical overhaul of the Structural Funds in 1988. 'Maastricht' took the commitment of the European Union one step further, with the inclusion in the Treaty on European Union (Article 2) of economic and social cohesion as one of the three key priorities alongside the Single Market and Economic and Monetary Union (EMU). It is worth noting that in the same Article of the Treaty (the new Article 2) both the concept of convergence of economic performance (for the purposes of EMU) on the one hand, and economic and social cohesion on the other, are set out. The question of the interface between the two is left open.

The Treaty is also ambiguous as to how the economic and social aspects of cohesion relate to each other within the concept of 'economic and social cohesion'. This ambiguity is not resolved by Article 130a, which sets the framework for the new Title XIV of the Treaty on 'Economic and Social Cohesion'. The first part of Article 130a stresses that the Community shall 'develop and pursue actions leading to the strengthening of its economic and social cohesion', without further defining what this actually means. The second part of Article 130a, however, mentions that particular attention should be aimed at 'reducing disparities between the levels of development of the various regions and the backwardness of the least-favoured regions, including rural areas'. The ambiguity of this article was discussed in the Treaty negotiations, when it was noted that it did not really clarify whether the second part of the article implied that the social aspects were taken into account within the text on 'economic and social cohesion', or rather that the second part of the article restricted economic and social cohesion to inter-regional solidarity alone. The question was left open.

The Treaty is equally unclear as to the territorial level at which the problem of a cohesion deficit presents itself, and thus at which the goal of promoting cohesion should be pursued. Whereas Article 130a refers overwhelmingly to regions, Article 2 explicitly mentions that the Community shall promote 'economic and social cohesion *and solidarity among Member States*' (emphasis added). As explored below, there is a strong case to be put that the main financial instruments set up to pursue cohesion between the regions of the Union were in fact created as inter-state transfer mechanisms in elaborate disguise. Accordingly, the ambiguity in the Treaty itself regarding 'who benefits?' is not simply casual.

The ambiguity of cohesion policy does not only exist at the level of the stated *policy goals* (economic versus social cohesion, national versus regional performance) as set out in the

Treaty, nor at the level of the subsequent Structural Fund regulations where the accommodating style of EU politics led to a total of 7 objectives.[2] *Fragmentation is also found at the level of policy instruments.* There are three Structural Funds - the European Regional Development Fund [ERDF], the European Social Fund [ESF], and the Guidance Section of the European Agricultural Guidance and Guarantee Fund [EAGGF] - as well as a Cohesion Fund, the Financial Instrument for Fisheries Guidance (FIFG), and European Investment Bank (EIB) loans. Title XIV of the Treaty, concerning economic and social cohesion specifically, mentions the three Structural Funds, the Cohesion Fund and the EIB, but seems to attach special weight to the ERDF by devoting a separate Article (130c) to it. This article notes that the ERDF is intended to focus on the development and structural adjustment of backward regions and on the conversion of declining industrial regions. No similar articles for ESF or EAGGF are provided in Title XIV. Read in combination with the above analysis of Article 130a, this suggests that *regional development* enjoys a privileged role in EU cohesion policy. By extension, it may be deduced that *human resource development*, as supported by the ESF and which often targets specific groups in society plays a secondary role only.[3] As shown below, this regional emphasis was translated into the regulations governing the Structural Funds.

Consequently, political scientists focusing on institutional change have used regions as the lens through which they scrutinise the recent evolution of cohesion policy. This regional focus is in harmony with a more general regional vogue (Anderson 1994). The widespread perception of a decline in the contemporary relevance of the concept of unfettered nation-state sovereignty, coupled with the rise of sub-state regionalism and nationalism have led to a thriving industry in studies of the 'regional dimension' of the European Community. As Keating and Jones point out, 'Europeanism and regionalism have represented twin challenges to the nation-state as a

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2 Objectives 1 to 6, including 5a and 5b.

3 Although the European Social Fund is the concern of Articles 123 to 125 of the Treaty (under Title VIII on Social Policy, Education, Vocational Training and Youth), no specific cross-reference to Title XIV on Economic and Social Cohesion is made in that text.

framework for making and delivering public policy', both having 'their roots in the problems of managing the modern industrial state, particularly to stimulate development and growth' (1985: 1). Against this background, cohesion policy has been studied in terms of territorial politics as an example of multi-level governance, whereby a reconfiguration of power relations between the local, regional, national and European levels is occurring, while the somewhat normative appeal of the 'Europe of the Regions' has also been nurtured by this territorial focus.[4]

In much of this literature, there is an implicit assumption that all actors in the cohesion policy process are instrumentally trying to develop their own power base. This focus on the undoubted aspects of territorial political exchange (Parri 1989) inherent in cohesion policy, although leading to the development of an impressive and growing field of study, has eclipsed an important debate on the content and effectiveness of the cohesion effort in achieving its publicly stated aims. In particular, it has obscured analysis of how various groups in society benefit (or do not benefit) from public intervention geared towards enhancing 'cohesion'. Within the 'garbage can' that cohesion policy constitutes, many actors will be actively trying to reduce real disparities at least some of the time. However, by concentrating on multi-level governance between territorial levels, policy studies in this field have tended to neglect the extent to which various functional groups within the regions are involved in (and benefit from) the cohesion policy process. The following section therefore examines the extent to which the Structural Funds are effectively designed to target the problem of reducing real inequalities as experienced by EU citizens.

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[4] One account has suggested that 'the development of the EC's structural policy in particular, while posing new challenges, has also given sub-national governments a new arena for pressing their demands. Traditionally unitary nation-states now have to think seriously about regionalization to keep pace with European-level developments, while regional governments and Community institutions regard each other as useful partners in bargaining with the member states (Bullmann 1996: 17).

III. The Structural Funds: A Blunt Instrument in the Search for Cohesion?

a. *The Development of Cohesion Policy*

For a full understanding of EU cohesion policy, it is essential to look at how the budgetary envelope for such policy is agreed. Decisions concerning financial redistribution between Member States are taken at the highest level of EU decision-making, according to an intergovernmental logic of compensation and package deals. Budgetary decisions are taken before discussions clarify exactly the nature of the policy problem to be addressed. As Marks has suggested, 'while many policy areas can be described as a set of institutions looking for funding, cohesion policy is funding looking for a set of institutions' (1996: 389).

Support for the transfer of financial resources at EU level comes most obviously from the net beneficiary Member States, but is also to be found within the Commission and the European Parliament. Within both of these institutions, a broad left-of-centre coalition of policy actors supports the transfer of financial resources for ideological reasons, following a line of argument championed by President Delors. Delors had presented the need for European cohesion policy as an interventionist counterbalance to the creation of the Single Market. In the period 1986-1988, the strong leadership of the Commission (and of the Commission President himself) in promoting this policy was matched by the extreme reluctance of up to five Member States to agree to the Single Market programme in the absence of a strong financial commitment to cohesion. At the Brussels European Council of 1988 a decision was therefore reached to double Structural Fund resources.[5] The ground was also prepared for the well-

[5] 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 in 1993. By 1992 Community structural spending reached 27% of the Community budget compared with 17% in 1987.

known regulations of 1988 laying down the fundamental principles that govern the Funds at least until the end of 1999 (Hooghe 1996).

The most dramatic changes occurred in the practice of the ERDF, which changed from a financial compensation mechanism for national treasuries to a more regional development oriented instrument. 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. [6] Nevertheless, as March and Olsen remind us, 'programmes adopted as a simple political compromise ... become endowed with separate meaning and force by having an agency established to deal with them' (1989: 18). 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. Although progress on these principles up to 1988 was piecemeal, a shift nevertheless took place away from the purely compensatory function of the ERDF of the early years. The ERDF of the mid-1980s can best be summarised as a complex political instrument involving highly contested objectives and illustrating characteristics of the 'garbage can' scenario identified by Cohen, March and Olsen (1972).

With the 1988 reform, the Commission obtained more discretion over the use of funding. Marks suggested that the Commission gained an 'autonomous and powerful role in spending',

6 The ERDF experienced a difficult birth and was originally expected to fulfil a compensatory function with respect to Member State contributions to the Community budget. A protracted and difficult debate between the demandeurs (United Kingdom, Ireland and Italy) and the chief paymaster (Germany) in the early 1970s ultimately resulted in the creation of a weak device for financial redistribution in 1975 (Wallace 1977: 144). The underlying logic of the ERDF was made extremely clear by the German Chancellor Schmidt, who said of the new fund at the outset that, although it was 'clothed in a pair of bathing trunks with "regional policy" painted on them', it was still a naked mechanism for redistributing funds between member states' (quoted in Bulmer & Paterson 1987: 202).

and he introduced the now well-known concept of 'multilevel governance' for the policy process that he observed: 'a system of continuous negotiation among nested governments at several territorial tiers - supranational, national, regional and local - as a result of a broad process of institutional creation and decisional reallocation that has pulled some previously centralised functions of the state up to the supranational level and some down to the local/regional level' (Marks 1992: 211). To a certain extent, Marks over-estimates the 'centrifugal process in which decision making is spun away from member states in two directions: up to supranational institutions, and down to diverse units of sub-national government (1993: 402)'. In any case, he crucially underlines the entrepreneurial role played by the Commission in reforming cohesion policy from a simple transfer policy to a genuine regional development policy with a more strategic role.

b. *The Definition and Organisation of Cohesion Policy*

Faced with a new and substantial budget for the purposes of the cohesion effort, the key question confronted by decision-makers in the period 1986-1988 was as follows: *how are we to identify the specific conditions of disparity which should be regarded as policy problems?* In the event, the central problem which gained prominence concerns disparities in Gross Domestic Product (GDP) per capita between the regions of the Single Market. Around 70 % of the total Structural Funds budget is allocated to Objective 1 regions whose GDP per capita totals less than 75% of the EU average. In this respect, two important questions must be addressed. Firstly, how do disparities in GDP per capita function as a benchmark for cohesion policy? Secondly, what happens to the allocated budget within the regions that have a low GDP per capita? In addressing these two questions, we suggest that GDP per capita is not a particularly sharp measurement of 'economic and social cohesion'

i. Organising Cohesion Around GDP Per Capita

Gross Domestic Product is a measure of the total value of market and public sector goods that those who are employed in a particular area produce. Differences in GDP per head can be attributed to differences in productivity and to differences in the employment rate. As a general indicator of economic activity, it usually excludes the activities of those who do not participate actively on the labour market, such as pensioners and people who undertake household tasks (or care responsibilities). Moreover, GDP per capita as a measurement of disparity contains another obvious flaw related to the unit of analysis at the so called NUTS II level. The NUTS categories correspond to administrative rather than economic entities, and lead to anomalies in measuring disparities. For instance, the GDP figures for areas such as Hamburg and Brussels tend to be overestimated due to the large number of commuters who work in these cities and contribute to their gross production.[7] In theory therefore, it is possible that a significant group of poor and unemployed people may inhabit a city which boasts a high level of GDP per capita.

It should also be noted that GDP per capita can increase for various reasons. Firstly, GDP is partially influenced by cultural patterns related to the definition of gender roles and the role of the non-active population. In some societies, 'hidden work' takes place which other societies value as part of their GDP. A cultural redefinition of work away from the voluntary to the remunerative sector can therefore lead to a rise in GDP. Secondly, GDP per capita can rise due to outward migration. Regions which experience outmigration of a low productivity labour force improve their GDP per capita ratio. This can partially explain the convergence in economic performance among EC states that occurred during the 1950s and 1960s (Keating 1995: 410). Finally, the productivity of an area can rise without a corresponding increase in the

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[7] By contrast, Flevoland in the Netherlands is probably the most famous example of the reverse situation, where the GDP figure for the region is underestimated as a high proportion of residents commutes to work in nearby conurbations.

volume of demand and output. If this happens without an internal redistributive mechanism in the area, it can contribute to increasingly polarised regional societies, with part of the labour force employed in secure and well-paid jobs, a significant part in insecure jobs, and a further swathe unemployed or suffering exclusion (Dunford 1997: 108).[8] These latter two points are crucial for our assessment of the current outlook for cohesion policy. Sketched in black and white terms, the current obsession of EU cohesion policy with the GDP per capita ratio could lead to a positive evaluation of phenomena such as the outward migration of population from low productivity agricultural areas to excluded neighbourhoods of richer metropolitan cities, or the rising productivity in a region which is accompanied by increased social exclusion and unemployment on the labour market.

ii. The Allocation of Structural Funds Within Regions

From the perspective of disadvantaged groups in society, benefits from cohesion policy based on the measurement of GDP per capita should follow as a result of the 'trickle-down effect' of economic growth. It is therefore important to examine the allocation of Structural Funds budget *within* a region. In the light of Dunford's comment noted above, a crucial variable for improving regional economic performance and establishing a more cohesive society at the same time is the mobilisation of human capital. This should contribute to a GDP growth which is capable of sustaining a more cohesive society rather than a GDP growth which divides society. To date, however, little attention has been paid by the European Commission (and other actors) to the question of how cohesion policy promotes redistribution within eligible regions:

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8 We do not deal with the environmentalist critique of GDP figures in this context. This critique would argue that the intrinsic value of goods and services, their interaction with physical and natural resources, and not simply their monetary value, should also be considered.

> In their enthusiasm for 'social cohesion' EC policy-makers often seem to forget that there is an important distinction between reducing inequality among individuals and reducing disparities across regions. Since most regions contain a mix of poor and rich individuals, a programme aimed at redistributing resources to a region whose average income is low may simply result in a lowering of the tax rate. The main beneficiaries of the programme will thus be rich individuals within poor regions - a phenomenon well known in the Italian Mezzogiorno - and which may be replicated in other regions of the Community as a result of the increase in the regional funds (Majone 1993: 163).

Frankly, the European Commission's capacity to intervene in the utilisation of Structural Funds resources behind the 'outer-shell' of the Member States to ensure that resources are being used to assist directly those in greatest need is severely limited. At the most general level, the Commission's ability to insist on real additionality (thereby preventing the scope for reduced tax rates as hinted at by Majone) was drastically reduced in the 1993 re-reform of the Structural Fund regulations. The role of the national budgetary authorities is crucial in this respect. The 'soft' nature of the tools at the Commission's disposal in the implementation phase have been comprehensively reviewed elsewhere (McAleavey 1995). If the Commission is concerned to ensure a greater targeting of resources on particular groups, the definition and organisation of cohesion policy itself must be reviewed at an earlier phase in the process.

Taking the normative implications of this analysis a step further, our argument calls for a different type of measurement for disparities to replace the uni-dimensional GDP per capita benchmark. If one persists with GDP per capita as the sole benchmark of Objective 1 policy, the risk remains that regions will experience growth in GDP with no increase in employment -

the phenomenon of jobless growth which is the central concern of the *White Paper on Growth, Competitiveness and Employment* (European Commission 1993). As cohesion policy currently stands, the creation of a 40-30-30 society (as popularised by Hutton 1995) - in which a rich and secure stratum of society co-exists alongside that 30% employed in insecure jobs and an unemployed and increasingly excluded 30% - could ultimately be considered as a successful policy result in Objective 1 terms.

In addition to Objective 1 regions, the Structural Funds allocate a substantial budget to those regions experiencing industrial decline which have higher than average unemployment rates (Objective 2), and to training and labour market measures for the long-term unemployed, youth unemployed, women and those at risk of social exclusion (Objective 3). However, the tension between economic and social cohesion that was noted in the case of Objective 1 is also present under these Objectives. Many Objective 2 areas contain 'blackspots' of extreme deprivation, with local communities experiencing unemployment rates often twice that of the average rate for the area. The allocation of a budget to Objective 2 does not guarantee that these most vulnerable groups will reap the benefits of economic growth. Clearly, the risk is that the relatively prosperous areas within the Objective 2 region (and by implication stronger groups on the labour market) will be the prime beneficiaries, thereby increasing disparities inside the area itself. As far as Objective 3 labour market policy is concerned, public intervention might 'cream off' those unemployed most likely to achieve a successful outcome in terms of finding employment without public support anyway, further polarising the jobs market in the process (Osborne & Gaebler 1992: 357)

The extent to which cohesion policy can rely on 'trickle-down' logic to assist vulnerable groups and thereby foster the 'social' aspects of cohesion is a question for further reflection and empirical validation. In terms of general reflection, many would argue that, although the benefits of cohesion are maybe not equally distributed within a region, all will experience an improvement in the standard of living conditions. A simple example casts some doubt on this. Let us assume that an Objective 1 region with an average income of 70% of the EU average is composed of two equally sized groups (geographically separated within the region), one with an income of 50% and another with 90% of the EU average. Assuming a uniform 10% increase in income during the period 1994-1999 would bring the average regional income to 77% (the region as a whole therefore losing Objective 1 status).[9] The less prosperous group would reach an income of 55% of the EU average, while the wealthier group would reach 99%. The gap between 'rich' and 'poor' would increase in absolute terms. Thus, without a simultaneous redistribution mechanism, an 'expanding cake' brings greater benefits to those who experience a higher marginal income growth.[10] One can expect this to bring negative consequences for the less prosperous group due to changes in regional market prices. Thus, within a process of converging regional economies, disparities in income distribution may increase.

To date, empirical studies on this issue in the context of EU cohesion policy are rare. One excellent example, however, has analysed the extent to which Structural Funds expenditure in Ireland and Northern Ireland promotes equality of outcomes with particular reference to poverty, gender, ethnicity and disability. The report suggest that 'there is disturbing evidence to indicate that the Structural Funds do not currently achieve equality of outcomes' with regard to these four areas, but accepts that the European Commission is increasingly keen to ensure that this is achieved (Community Workers Co-operative and the Northern Ireland Council for Voluntary Action 1996: 19-22). The Commission's concern to 'reach out to weaker and more vulnerable people in the Union' was recently confirmed in comments on the latest Eurostat

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9 Although we follow the convention of treating regional income and regional GDP as synonymous (see the First Cohesion Report as an example of this [European Commission 1996a]), we recognise that regional income is affected by national, inter-regional transfers.

10 Note that this simple arithmetic example, based on an equal relative growth in income for all groups, probably underestimates the scope for income growth to favour the *ex-ante* wealthier group.

statistics which starkly illustrated the inequality of income distribution and the extent of poverty in EU Member States - most notably Portugal, Greece and the United Kingdom (*Agence Europe* 1997). The extent to which the Structural Funds are equipped to 'reach out' in this way depends on whether they are designed primarily as a mechanism for budget distribution between Member States and regions or as a tool for redistribution within Member States and regions.

c. *How Can Structural Funds Policy Be Categorised?*

Two well-known typologies of public policies are of great use in examining exactly what type of policy the Structural Funds actually constitute. The works of T.J. Lowi and J.Q. Wilson in tandem allow us to present a picture of Structural Funds policy as a distributive mechanism which the European Commission is seeking to convert into an increasingly redistributive mechanism within the eligible regions, in the context of a complex political arena that involves a diversity of political actors at the various stages in the policy process.

T.J. Lowi's noted 1964 article elaborated a well-known categorisation of policies in terms of their impact, or expected impact, on society. He suggested that there were only a limited number of policy types. Although the three 'functional categories' he identified were neither mutually exclusive nor exhaustive, together they constitute a useful heuristic device.

Distributive Policies - According to Lowi, these 'are characterised by the ease with which they can be disaggregated and dispensed unit by small unit, each unit more or less in isolation from other units and from any general rule ... these are policies which are virtually not policies at all but are highly individualised decisions that only by accumulation can be called a policy. They are policies in which the indulged and the deprived, the loser and the recipient, need never come into direct confrontation. Indeed, in many instances of distributive policy, the deprived cannot as a class be identified, because the most influential among them can be accommodated by further disaggregation of the stakes' (1964: 690). In short, distributive policies are often said to be characterised by 'pork barrel politics'.

Regulatory Policies - These are 'distinguishable from distributive policies in that in the short run the regulatory decision involves a direct choice as to who will be indulged and who deprived' (1964: 690-691). Rules are stated in general terms (for example, a requirement that the level of air pollution be reduced), but the impact is one of 'directly raising costs and or expanding the alternatives of private individuals' (*ibid.*).

Redistributive Policies - In this instance, the categories of impact are much broader, and approach social classes. 'They are, crudely speaking, haves and have nots, bigness and smallness, bourgeois and proletariat' (1964: 691). Lowi suggests that 'issues that involve redistribution cut closer than any others along class lines and activate interests in what are roughly class terms' (1964: 707).

Of course, this typology is not universally accepted (Capano 1993). All policies may be considered redistributive or regulatory in the long run, and any policy may exhibit characteristics of all three at a given time, but this categorisation is nevertheless a useful tool for our purposes.

It is clear from the preceding analysis of how the Structural Funds budget is determined and allocated, as well as the current weakness of cohesion policy to identify explicitly the intended beneficiaries within the eligible regions, that the Structural Funds presently constitute a primarily *distributive policy*. Nevertheless, redistributive concerns regarding exactly who benefits in the implementation phase are of increasing importance, not least for the European Commission which is now charged with the task of addressing employment as the first economic, social and political priority of the Union. Since each type of policy tends to develop its own characteristic political structure, process and relations between participant groups, a progressive shift towards redistributive aims will impact upon the cohesion policy arena, and in this context, the Wilson typology is of great use.

In parallel with the Lowi categorisation, the Wilson typology classifies the politics of different policy areas according to the distribution of costs and benefits (1980: 366-372). Wilson distinguishes between diffuse and concentrated costs and diffuse and concentrated benefits, and proposes the following categorisation:

		Benefits	
		Diffuse	Concentrated
Costs	Diffuse	Majoritarian Politics	Client Politics
	Concentrated	Entrepreneurial Politics	Interest-Group Politics

The nature of cohesion policy differs according to the phase of policy-making (Marks 1996). Intergovernmental bargaining on the financial envelope for cohesion policy at EU level can be seen as somewhat pluralist interest-group politics, where disparate interests clash until an equilibrium is found, thanks in part to an element of entrepreneurial politics. The Commission, as a semi-outsider in the debate on 'who receives and who pays?' plays the role of policy broker and guardian of 'the European interest'. Within this very closed arena, the politics of financial bargaining (with very obvious winners and losers) resembles the scenario that Lowi sets out for redistributive policies.

Intergovernmental bargaining on the budget, however, happens only very rarely at European Council level. The typically five- to seven-year long budget agreements mean that the very divisive and conflictual nature of such bargaining need not take place annually. Therefore, as suggested above, once the budget allocations have been decided, Structural Funds policy exhibits more of the features of a patronage-based distributive policy in Lowi's term, or what Wilson would describe as an example of client politics.

The 'clients' of Structural Funds policy are mostly national or regional public administrations, training agencies, development agencies, other governmental or semi-governmental bodies at regional and local level involved in economic development, and businesses in the eligible areas. The logic of Structural Funds implementation (and in particular the pressure of the partnership principle to involve all relevant actors) can easily lead to the pork-barrel situation described by Lowi; namely, all of these actors can be winners, and additional actors coming onto the scene can be accommodated by further disaggregation of the stakes. Priorities within Structural Fund programmes are sufficiently broad to give the necessary flexibility to policy implementors to 'sub-divide the cake'. Lowi himself indicated that a multiplication of interests and access is inevitable in the case of distributive policies, as is the pressure to reduce potential conflict. This would account for what currently happens within Structural Fund partnerships where debates are typically anodyne and there is a 'gentlemanly agreement' not to criticise other partners' actions in the presence of the European Commission.

As suggested above, cohesion policy was introduced to adjust for the spatial impact that the Single Market and other liberalisation policies would exert on Europe's regions. However, according to its own logic of client politics and its distributive nature, the policy has been organised in such a way that it protects dominant economic interests inside the economically weaker areas, rather than protecting the vulnerable groups in European society, although it is clear that these groups are the hardest hit by economic restructuring.

The garbage can model of policy-making goes a long way to explaining this outcome. At the level of budgetary decision-making, considerations about the policy problems which should be addressed are simply not taken into account. Diplomacy at the highest level produces a package deal whereby reaching an agreement is often more important than the type of agreement that is reached. Once the budgetary envelope is fixed, the pressure to spend what has been agreed at the highest political level is considerable. This gives a natural advantage to the stronger and better organised groups within the eligible regions which tend to be well informed and well linked to the relevant policy networks - typically these are precisely those groups which needed to be reconciled with the idea of market liberalisation and the creation of a Single Market (which, they feared, would deprive them of the protective mechanisms they enjoyed at national level). One senior Commission official[11] has openly acknowledged 'the well established 'clientelism' between each Fund and the respective national administrative bodies as well as private lobbying' (Mitsos 1994: 11).

[11] Achilleas Mitsos was the Head of Cabinet for Commissioner Varfis at the time of the Structural Funds reform.

In summary, in this section we have argued that cohesion policy originates from the logic of intergovernmental redistributive bargaining within the framework of market liberalisation. Once the cohesion budget is in place for a multi-annual period, however, a distributive type of politics develops in this policy area. As the bulk of cohesion policy is organised around aggregated measurements of disparity such as GDP per capita or unemployment rates under Objective 2, and since the Commission only disposes of a limited number of soft tools to influence policy during the implementation phase, there is no guarantee that the most vulnerable groups will benefit from this policy. Any redefinition of cohesion policy towards greater targeting can be expected to meet resistance, and would therefore be incremental and laborious. Nevertheless, there is some evidence that the European Commission and local actors are seeking to change the policy agenda towards an enhanced recognition of the problem of local deprivation. In this context, and despite the privileged role enjoyed by certain regional elites, there is also evidence of an increased role for sub-regional actors in the cohesion policy field.

IV. Evidence of a Greater Role for the Sub-Regional Level and Actors?

Of course, the relationship between sub-regional governments and the institutions of the European Union is not an entirely new phenomenon (Hull & Rhodes 1977; Goldsmith 1993). However, recent developments within the cohesion policy field suggest a rising importance of the sub-regional level and of sub-regional actors. This section of the paper provides a short review of the empirical evidence for this, before section V considers a number of explanations for this increasingly local dimension.

a. *Representation of Cities in Brussels*

The formal representation of local governments in Brussels has been growing over recent years. Few cities have a direct representative office with their own staff, although Stockholm is one of the exceptions. Nevertheless, more and more cities are hiring private consultants to represent their interests in Brussels and to follow European policy developments (following the early example of the English city of Birmingham). Almost all EU capitals, for instance, have people working for them in Brussels and *The Capital Cities* have established themselves as a loose lobby group which approaches the Commission at regular intervals on various policy issues.

In addition to individual representative offices, the collective voice of cities is presented in Brussels through a variety of associations. By far the most influential is *Eurocities*, which represents around 60 major cities around the European Union. Membership has been growing constantly since the establishment of *Eurocities* in 1986 by a group of six cities. The staff complement in Brussels, which totals around 15 officials, is financed by contributions from the cities, and by various projects which *Eurocities* manages on behalf of the Commission. The staff also receives substantial support from local government administrators on particular issues. In a high profile move in 1995, *Eurocities* adopted a Charter on the European Cities in which it called on the EU to change the Treaty in favour of a more explicit reference to the problems of local government.

In addition to *Eurocities*, other associations of local authorities are present in Brussels. These are usually organised around specific functional issues, such as *Car Free Cities*, or *Quartiers en Crise*. The latter unites around 30 local authorities with a specific interest in policy combating social exclusion. *Quartiers en Crise* was first mobilised around the anti-poverty initiatives of DG V, and has since expanded its sphere of interest to the actions of DG XVI, and its specific impact on social exclusion (see the discussion of the Urban Community Initiative below).

The establishment of the Committee of the Regions was of course unprecedented in that it allowed a formal representation of sub-national authorities in EU policy-making. The functioning of the Committee is hampered by many obstacles, such as explicit cleavages between the members from various states, the tension between regions and cities (roughly equally represented), and the lack of professional support for the members. Formally, the Committee only has weak consultative powers. Nevertheless, it has an impact in raising the awareness of various EU policies with local government decision-makers. It is somewhat paradoxical that the Committee has the effect of mobilising *local* authorities, as the demand for the creation of the Committee came from *regional* authorities in Germany and Belgium who sought to reinforce their position at EU level through the Committee.

In summary, there are primarily two linked phenomena at work in the mobilisation of local level actors vis-à-vis the European Union. On the one hand, local decision-makers increasingly feel that European decisions have an impact on the way they conduct their local authority business, and consequently they organise themselves in a typically bottom-up process towards Europe. The decision to become a member of *Eurocities* is an example of such bottom-up mobilisation. On the other hand, local councillors or mayors who are member of the Committee of the Regions are increasingly confronted with various EU decisions of which they had no prior knowledge (at least directly). This can contribute to typically top-down awareness raising on the potential impact of EU decisions on local communities.

It is difficult to assess whether this mobilisation ultimately facilitates actual access to and influence in policy-making arenas. Pluralist accounts of power relations often suggest that 'shifts in power are noted and acted upon by interest groups who act as a type of weather-vane for the locus of political power in society. They quickly re-target their influence, once they realise that the power to take decisions which affect them has moved to a new institution or to new actors' (Mazey & Richardson 1993: v). However, it is self-evident that 'who governs?' is a more critical question for the study of EC policy-making than 'who speaks?' (Cawson 1992: 100). Making themselves heard at EU level does not guarantee local actors influence, particularly with Commission officials for whom the cacophony of voices may in fact increase the complexity of the policy tasks to be undertaken. This complexity in turn means that Commission officials will continue to rely upon trusted national gatekeepers in making policy. For such reasons, local authorities continue to have a greater opportunity to influence EU decisions through national channels which present a common voice. At a minimum, however, local authorities' increased presence in Brussels leads to an opening up of existing policy communities to the ideas and issues that occupy local actors, and changes the terms of reference for important policy debates.

b. *Local Initiatives at European Level*

Following the European Commission's *White Paper on Growth, Competitiveness and Employment*, many of the Commission's Directorates-General have concentrated on local development and employment initiatives.[12] Moreover, the influential Forward Studies Unit of

[12] Over recent years, the urban dimension has appeared clearly in a variety of policy areas. The external relations DGs have launched programmes of decentralised cooperation between local authorities on various continents (Med-Urbs, Urb-AL, Asia-Urbs). DG V has launched networks that focus on the integration of ethnic minorities in local society. DG XI has a unit which works on the urban environment, and which runs the Sustainable Cities Campaign - including a charter signed by more than 300 EU local authorities. DG XII's new proposal for the Fifth Framework Programme for Research and Development contains a key action programme on 'The City of Tomorrow', with proposals for research in various technologies that can improve urban planning and urban design. DG XIII manages Telecities, a network of cities which cooperates on the introduction of telematics into urban services. DG XVII helps set up local energy agencies, and DG XXII manages city networks which focus on intercultural education issues. See below for the activities of DG XVI.

the European Commission (reporting directly to the Commission President) has co-ordinated much of the work on local initiatives. The *European Strategy for Encouraging Local Development and Employment Initiatives* (European Commission 1995a) argues that the local economy presents uniquely favourable conditions for the generation of new jobs, particularly those suited to certain categories of the long-term unemployed. The European Commission has also famously identified the seventeen areas of local development (ranging from day-to-day services, services to enhance the quality of life, leisure and cultural services to environmental services) which may generate significant employment potential in the future (European Commission 1995b). The importance of this work and its influence on the thinking of senior Commission officials should not be underestimated.

New work in the European Commission on local initiatives is especially important at the level of policy ideas. The Commission (including President Santer) is now convinced of the role to be played by local actors in confronting the European Union's economic and social problems. The scope of European co-ordination initiatives is no longer restricted to national level labour market management and macro-economic policy. One recent report speaks of local development and employment initiatives 'at the heart of a new European movement' and cites President Santer's conviction that the phenomenon of job-free growth should be tackled at the local level (European Commission 1996b). It is this conviction which lies at the heart of the initiative to promote *Territorial Employment Pacts*.

The concept of Territorial Employment Pacts (TEPs) was first developed in President Santer's communication on *A Confidence Pact for Employment*. The basic principle underlying the Pact approach is that job-free growth is essentially a result of a lack of confidence in the strength of current growth patterns, and that this is best tackled through co-operation between key economic, social and political actors to commit themselves to a concerted employment promotion effort. The European Council meeting in Florence in June 1996 mandated the Commission to turn this approach into operational reality by selecting a number of cities or localities as pilot projects for territorial employment pacts. Around 60 areas have now been nominated as test cases involving a wide range of economic and social partners in the search for new approaches to employment generation. The appeal of the TEPs to many local areas was no doubt strengthened by the explanation that existing Structural Fund programmes may be redirected to fund the operational recommendations of the Pacts.

c. *The Local Dimension of Structural Fund Policy*

Three developments illustrate the increasing local dimension of Structural Fund policy, namely the so-called ERDF Article 10 and ESF Article 6 actions, the launching of the Urban Community Initiative, and the enhanced local targeting of Objective 1 and 2 programmes.

i. Article 10 of the ERDF Regulation

The local dimension of Structural Fund policy dates back to the early 1990s, when DG XVI launched two 'Urban Pilot Projects'. These Urban Pilot Projects were financed under Article 10 of the ERDF Regulation, which sets a small budget aside for use by the Commission for innovative actions. The initial two projects took place in London and Marseilles, and were widely seen as a form of compensation for the fact that parts of these cities could not be recognised as Objective 2 regions at that time. Since the early 1990s, the Article 10 budget has grown steadily. For the period 1995-1999, the Commission has around 400 Mecu at its disposal with which it manages various projects related to culture and economic development, exchange of experience between local authorities (including those from Central and Eastern Europe and the Mediterranean countries), new sources of jobs, and the information society. In all these areas, the Commission requests local authorities to submit projects directly to the Commission. Projects are managed by the local authorities under the direct supervision of the Commission, unlike the mainstream Structural Funds where the Member States play the key role.

Article 10 has encouraged a progressive mobilisation of local authorities. The last call for proposals for Urban Pilot Projects resulted in more than 500 project proposals, of which around 25 will be selected. In addition, the so called *Directoria* have attracted a wider participation on each of the occasions on which they have been held. This is a kind of fair organised by the Commission where local and regional authorities can meet Commission officials to discuss project proposals and meet other authorities from the EU. The fifth and most recent meeting of the *Directoria* attracted more than 2,500 participants from 630 different authorities, when it was estimated that half of these were regional authorities and the other half cities. Finally, Article 6 of the ESF Regulation should also be noted in this context. Like Article 10 of the ERDF, this is designed to develop innovative approaches to employment development and has increasingly focused on local development actions in recent years.

ii. The Urban Community Initiative

In 1994, the Commission decided on the Community Initiatives (CI) to be supported under the Structural Funds in the present programming period. At that time, the Urban CI was launched, which gave a specific and very visible urban policy dimension to the Structural Funds. The decision was apparently not without difficulties for the Commission. Its first Green Paper of 1993 which contained the Commission's proposal for the CIs did not mention Urban. Only after the intervention of the European Parliament and various associations did Commissioner Millan decide to include Urban in the list of Initiatives.

The Urban initiative promotes the development of deprived urban neighbourhoods. With its budget of around 880 Mecu, it supports operational programmes in around 110 EU cities. As a consequence, the budget for each city is rather modest, and is certainly not adequate to meet the challenge of reconverting poverty-stricken urban neighbourhoods. Most of the Urban programmes are implemented in Objective 1 or Objective 2 areas. The Initiative can therefore be seen as an example of a policy action which tries to bring specific benefits to deprived communities within broader regional policy efforts. Rechar, which was launched in the first programming period (1989-1993), had a somewhat similar logic, as it specifically targeted local mining communities in the context of regional development programmes. Interestingly, in many local instances both Urban and Rechar have put pressure on the ERDF to support more social infrastructure and local capacity building measures, directing the ERDF away from its predominantly economic logic.

iii. Local Targeting of Objective 1 and 2 Programmes

The Objective 1 and 2 programmes for the period 1994-1999 demonstrate a more explicit recognition of the needs of deprived local communities than was the case in the 1989-1993 programming period. Four examples of this can be given. Firstly, the Commission insisted on including the priority of 'Community Economic Development' within all 28 British mainstream Structural Fund programmes - totalling almost 20% of the total Structural Funds budget allocated to the UK (see European Commission 1996c). An envelope within each programme is now reserved for specifically identified deprived communities, in which a somewhat different development logic is applied compared to the rest of the programme. The strongly competitiveness-based economic logic of Objective 2 programming is relaxed for these communities, which need a more socially sensitive approach aimed at establishing the local capacity to deal with decline. Reserving the envelope for specific communities should allow them to share in regional policy benefits promoting cohesion *within* the programme area (European Commission 1996c). Secondly, a similar operation is taking place within the Objective 1 programme for French Hainaut. Thirdly, the Portuguese authorities and the Commission agreed a 300 MECU programme for deprived urban communities in Porto and Lisbon. The programme aims at improving the general living conditions of the people in the so called 'barracas' of the two cities. Finally, a smaller programme has been submitted by the Italian authorities which focuses on one specific district in Naples (the Pianura district). In each of these cases, specific concerns to redistribute resources in favour of particular local areas within the regional development context are apparent.

While all these examples occurred as a result of direct pressure from the Commission itself on the Member States, or in the case of Portugal following an explicit demand by the Portuguese authorities, increasing recognition for the problem of local deprivation also develops in a more subtle manner. In the framework of the Objective 2 programme for Limburg (Belgium), De Rynck (1996) has shown how Structural Funds resources succeeded in strengthening local control of training and counselling support in mining communities, thereby de-bureaucratising the resource deployment strategy of the centralised public agency and facilitating a locally tailored approach. Although not extensively documented, similar bottom-up pressure exists in the context of many other programmes where community groups and other local actors try to use the Structural Funds as a lever with which to redirect central government expenditure.

d. *The Local Dimension of Cohesion Policy at Political Level*

The developments towards an enhanced local dimension to cohesion policy set out in the preceding paragraphs are occurring primarily at a technical level. Most of the changes that were indicated came about as a result of negotiations between administrators, or after pressure exercised by civil servants. Slowly, however, the same development appears to be happening at the political level. In May 1997 the Commission adopted a Communication on Urban Issues (European Commission 1997) in order to launch a debate on urban development at European level with the various EU institutions and all interested organisations. The decision to adopt such a Communication follows partly from pressure exerted on the Commission by local government associations and the Committee of the Regions, but also by the internal policy developments mentioned above. The visibility of the Urban Initiative is of particular importance in this context. However, it is also clear that the extent of urban problems related to deprivation are influencing the perceptions of the Commissioners. President Santer, in his first speech to the European Parliament on the work programme for his term, stated that, 'with due regards for the principle of subsidiarity, what we need is an overall vision of urban problems and of the various instruments which we have or could develop at Community level as well at national, regional and local level' (1995c).

The Dutch Presidency has seized the opportunity presented by the Commission's Communication to put urban policies on the agenda of the Informal Ministerial Meeting on Regional Policy and Spatial Planning (to be held in June 1997). This is the first time that urban policy will be discussed at ministerial level in the European Union within the context of cohesion policy. The Dutch have a specific interest in the topic as regional policy *per se* is no longer a politically salient issue in the country, and has diminished in importance within the administration as well. On the contrary, urban policy is one of the major priorities of the current Dutch government. In terms of the dynamics of the discussion at EU level, a further crucial factor will be the attitude of the UK Presidency towards the topic. The UK will hold the presidency of the Union during the first half of 1998, when the new Structural Fund regulations are likely to be negotiated. The UK resembles the Netherlands in the sense that regional disparities lost political saliency over recent years in favour of a focus on urban deprivation, although the priority to be given by the new Labour Government to regional development issues remains to be seen.

At present, there is a wide range of topical empirical evidence demonstrating a greater role for sub-regional level actors and an enhanced recognition of the problem of local disparities in EU cohesion policy. The following section presents a number of explanations, some of which are complementary, as to why this might be the case.

V. Explanations for the Increasing Local Dimension at EU Level

How can the increasing saliency of the local dimension in cohesion policy be explained? Four possible explanations are put forward in this section: a structural explanation related to economic changes; a political actor oriented explanation; an institutional explanation; and a policy-based explanation.

a. *A Structural Explanation*

The suggestion that the globalisation of economic interactions has increased the competition between cities to attract activities is well known. Swyngedouw (1992) proposed the concept of 'glocalisation' to indicate the two relevant levels of economic development, the global and the local. The literature on the subject as it has emerged over recent years argues that globalisation has not diminished the importance of territory. However, cities no longer grow as a result of their vertical integration with their hinterland from which they extract resources and labour. In a global economy, cities grow as a result of international networking and horizontal relations with other growth poles, and due to the spill-over effects at the local level from such international networking. Similarly, Le Galès (1997: 239) argues that regions are in the first instance a collection of cities which are the principal beneficiaries of the economic trend towards concentration of capital, and which establish themselves as centres of technical networks. Economic development policies at regional level are therefore often rather symbolic, as real economic processes are anchored in cities. As a consequence of this structural trend, it would be quite natural that local decision-makers are mobilised to 'go international', and to push for an increased presence in EU decision-making fora as well.

Veltz (1996) argues that the shift towards horizontal networking by cities has been accompanied by a process whereby disparities appear at a more micro level. Therefore, while cities have been faced by new development opportunities over recent years, they have also increasingly been confronted with the burden of managing the contradictions of a capitalist society. Social exclusion has been growing in cities where the economy was booming at the same time. According to this explanation, challenged by rising social problems and potential tensions in society, local authority decision-makers have increasingly lobbied the European level to act on these issues.

b. *An Actor-Centred Explanation*

In many EU countries, local authorities have attracted a new political personnel over recent years, often from the highest level of national politics. In Belgium, cities such as Brussels, Molenbeek, Leuven, Dendermonde, Antwerpen and Liège now have mayors who voluntarily left powerful national or regional mandates as ministers in order to return to grass roots politics. Other EU cities such as Barcelona and Lisbon are headed by some of the most powerful politicians in the national or European context. The previous mayor of Lisbon became the Portuguese president, and although Maragall may have lost some of his direct access to the national political arena following the establishment of a centre-right government in Spain, his mandate as President of the Committee of Regions allows him wide access to decision-making centres in Brussels.

The new generation of Italian mayors in cities such as Turin, Venice, Rome, Naples and Bologna have also demonstrated the capacity for local development policies, and are able to mobilise a range of local actors around strategic projects. In Germany, the institutional power of the regions hides the diversity of sub-regional developments, where local actors are seeking to exploit new opportunities offered to them in the context of multi-level governance to reinforce their autonomy and local political capacity (Le Galès 1997, summarising contributions of Bagnasco-Oberti and Benz). In the Netherlands, the strong municipal tradition in Amsterdam, Rotterdam, Utrecht and The Hague precluded the emergence of a powerful regional government in the first place. Finally, the new Labour Government in the United Kingdom has recently announced plans for an elected Mayor for London, alongside a proposed London-wide government.

In all of these cases, it can be argued that there is an unravelling of the process previously referred to as the accumulation of mandates. Whereas there was previously a tendency for local politicians to become national and even European parliamentarians, we might speculate that there is now a *shedding of mandates* in many instances as politicians return to their local power base. As public expenditure at national level - and increasingly at the European level - becomes ever more stringent in the process of convergence required for Economic and Monetary Union, the discretion of ministers at the head of large spending departments is severely constrained. Returning to local level politics, where media attention is now also intense, implies less in terms of lost status than might have been the case in previous decades.

The opportunity for local actors to by-pass national administrations to perform on a European stage is also an important element of this actor-centred explanation.

c. *An Institutional Explanation*

Linked to the previous two explanations, a third possible explanation for the increasing local dimension at the EU level is tied to institutional dynamics. After decades of disappointing policy results, combined with drastic expenditure cuts on social and economic programmes, national institutions are quite prepared to shift the burden of responsibility for what are seen as intractable problems. This phenomenon is best summarised in terms of the concept of a 'decentralisation of penury':

> The devolution of central powers ... social services, education, regional economic development, urban planning ... bears witness to the fact that, confronted with demands it can no longer satisfy alone, central government seems quite happy to decentralise penury (Mény & Wright 1985: 7).

In an era of public expenditure restraint and slimming down of public administrations, responsibility for economic development policy (which is resource intensive in terms of both finances and staff involvement) may readily be ceded by national administrations both downwards to local level actors and upwards to the European level simultaneously. Blame for policy 'failure' in this field is thus also obfuscated. On the same lines of argument, it might be suggested that the European Commission's present concern for local development and employment initiatives is a rational attempt to use the subsidiarity debate in the Commission's favour, ceding responsibility to the local level in much the same way as national administrations did before the Commission. We return to this point in our concluding section.

d. *A Policy Explanation*

The final explanation we put forward in this section relates directly to the nature of cohesion policy itself in the European Union and links closely with the analysis presented above in section III. It was noted at the outset that the link between economic and social cohesion is a matter of some debate. However, concern is increasingly apparent with regard to the redistributive consequences of cohesion policy expenditure within Member States and eligible regions. It is our contention that, despite the observation of Majone (1993) quoted above, policy makers in the European Commission are now increasingly waking up to the distinction between reducing inequality among individuals and reducing disparities across regions. If, as Parsons suggested two decades ago, 'information lies at the heart of the relationship between the Community and sub-national government' (1979: 40), it therefore seems logical that the Commission and local actors should collaborate to identify local pockets of disadvantage to target cohesion policy.

Of course, ever greater targeting of smaller and smaller geographical areas in the context of cohesion policy is not the only means by which to promote the redistributive aspects of Structural Funds expenditure, nor is it necessarily the most effective means of doing so. As suggested above, the European Social Fund intervenes in the labour market to assist those groups at greatest risk of long-term unemployment and exclusion, irrespective of where they are located. Some in the European Commission might argue that this horizontal approach to targeting specific functional groups in society is a more effective means of guaranteeing a redistribution of income and thereby social cohesion. This debate between the horizontal approach of targeting individuals and the vertical approach of identifying micro-geographical pockets (by EU standards) where such people are concentrated is likely to be played out in the imminent reform of the Structural Funds budget and regulations. However, the cohesion policy paradigm is largely shaped by its geographical focus. There is very little chance that this paradigm will be overturned in the near future - as we suggested above, any reorganisation of cohesion policy will be incremental and must take all relevant interests into account. What we are witnessing, however, with the increased geographical targeting of cohesion policy is an attempt by the European Commission to shift the focus of policy at the margins away from purely distributive to redistributive interventions.

VI. Conclusion

The aim of this paper was to go to the heart of EU cohesion policy to examine how disparities manifest themselves at the EU level and to assess how they are then dealt with on the EU policy agenda. It is indisputable that the general question of disparities has become ever more salient at the EU level, in the guise of the debate on economic and social cohesion. However, we suggested that economic and social cohesion is by no means a simple concept. Not only is there some tension between the economic and social aspects of cohesion, but the very term is riddled with ambiguities: does it refer to cohesion between Member States or regions, or indeed between regions or individuals? This ambiguity is not merely casual, but on the contrary, it facilitates the pursuit of primarily distributive objectives in the guise of a policy that should ultimately be concerned with redistribution within Member States and regions.

In this context, we presented a range of empirical evidence to demonstrate the increasing involvement and importance of sub-regional level actors at the European level. We supported the suggestion that this reflects the growing importance placed by the European Commission on reducing unemployment and redistributing income through enhanced targeting of cohesion policy. Moreover, we also presented several further explanations, which are not necessarily mutually exclusive, as to why sub-regional actors are now more involved with the European Commission in this policy field. These range from the fact that local problems are rising in importance as a result of structural economic changes (for example the geographical proximity of rich and poor neighbourhoods), the explanation that a rational decentralisation of penury is taking place, to changes in the role of key political actors. Nevertheless, the crux of our argument is the increasingly apparent aim of the European Commission to become involved in truly redistributive policy through modifying cohesion policy at its margin.

a. *The Implications of the Cohesion Deficit*

Majone has suggested that cohesion policy as it currently operates within the European Union, and in particular its regional focus, does not facilitate the European Commission's redistributive aims:

> [It] tends to be inefficient because of the difficulty of targeting for redistribution communities containing a mix of rich and poor people. If our concern is with inequality among individuals, redistribution should be aimed at individuals, not regions. But this is precisely what Member States do not want the Community to do ... the governments of the poorer countries insist on non-individualised transfers of Community funds (Majone 1993: 168).

Indeed, there are strong grounds for arguing that a fully-fledged policy for redistribution among individuals is extremely unlikely at the EU level. Firstly, redistribution involves a conflictual style of policy-making, and as such it could not be handled in a fragile polity such as the European Union. Lowi (1964) points out that that redistributive policy-making requires strong leadership, a clear command centre and a significant degree of centralisation, none of which can be guaranteed as the EU currently exists. Secondly, given the climate of budget austerity at national level, Member States would not accept a proposal for an expanded budget and competence at EU level to redistributive ends. Thirdly, redistribution often involves issues which are not particularly salient at the EU level. For example, the problems experienced by women, the elderly, ethnic minorities, and the socially excluded (among others) probably do not excite a sufficient number of the (predominantly white male) decision makers in the European Union to make policy in their favour a central priority. Finally, the EU policy style typically only allows for incremental policy change - those elites which currently benefit from the cohesion policy 'pork barrel' will seek to preserve their benefits.[13]

Nevertheless, the European Commission noted in its *First Cohesion Report* that 'improving economic circumstances is not an end in itself, but the means to an end. The creation of wealth should widen opportunity and raise living standards and the quality of life generally' (1996: 15). This is obviously important for a Union seeking to increase its own legitimacy (and with one eye on the support that will be required by the majority of EU citizens if the new Treaty amendments are to be ratified and endorsed in a series of referenda across Europe). The political desire of the European Commission to be able to demonstrate its redistributive credentials for exactly this reason has been clearly underlined by Mény:

> In democratic states, governments draw their legitimacy from electoral processes and redistributive policies. For now, the Communities [and] the Union only marginally hold these two political and financial resources and

[13] Also in this context, the potential conflict of interest for the EU itself in moving towards a greater role in redistribution should not be ignored. The main source of income for the European Union is Value Added Tax (VAT receipts make up around 50% of the EU budget) and it is well known that this type of tax on consumption (as opposed to progressive taxation of income) impacts more upon poor households than rich households.

> risk becoming giants with clay feet: all-powerful in the sphere of regulatory policies, but devoid of the assets which guarantee their receptivity to and acceptance by public opinion (*Agence Europe* 1995).[14]

In contrast to this view, other authors would oppose any expansion of the role of the Commission into such explicitly redistributive policy. Majone has recently taken his argument (set out above) a step further in stating that 'a more active role of the European Union in income redistribution would not reduce the Union's democratic deficit, as many people would seem to think, but would on the contrary, aggravate it' (1996: 299). His reasoning rests on the fact that the European Union is (and should remain) concerned with economic efficiency and regulation in the first instance. This implies that EU decisions should always involve 'win-win situations', which increase the general social welfare function in a Pareto-optimum sense. For this reason, the EU requires a non-majoritarian mode of decision-making which allows it to take decisions in the common interest of all with no apparent loss on the part of any actor. Clearly identified losses through majoritarian decision-making could risk European disintegration (*ibid.*: 287).

Contrary to Majone, we argue that such an approach would deepen the democratic deficit. Whereas cohesion finances are agreed as part of an efficiency-oriented strategy for deepening market integration, thereby creating a win-win situation for all decision-makers involved in the Council negotiations, one should also examine who benefits from cohesion policy in the implementation phase. Our argument has been that the logic of Structural Fund implementation favours certain organised actors and that the absence of trickle-down effects implies that there is no win-win situation during this phase of the process. Some key actors, including the Commission, are increasingly aware of the reality of cohesion policy on the ground. This is illustrated in attempts to address the disparities which EU citizens experience at a micro-level in the context of rising

[14] The definitive version of this quotation can be found in Mény *et al* (1996: 19).

unemployment and social exclusion. Cohesion policy within regions can imply a zero-sum game. As long as the Community is unable to address this 'cohesion deficit', the democratic deficit will persist as well.

b. *The Role of Local Actors in Future Governance Structures*

In any case, given the four reasons outlined above, it is unlikely that cohesion policy will emerge as a fully redistributive policy in the hands of the European Commission. More generally, the extent to which the Commission will maintain a tight grip on cohesion policy in the new programming period (2000-2006) remains unclear. There are some grounds for anticipating a renationalisation of cohesion policy. Budget austerity is increasingly impacting upon the European Commission in two inter-linked ways: at the same time as public expenditure constraints place ever more onerous requirements on the European Commission to account for the use of funds, the Commission's own bureaucracy is not being reinforced as quickly as the Union appears to be widening its membership. In short, the transaction costs inherent in a Europe of the Regions are simply too high. As the number of actors in the cohesion policy field proliferates, it is increasingly difficult for the Commission to identify key partners which it can trust. Paradoxically, despite the views of those who believe they are witnessing a deliberate strategy by the European Commission to work with sub-national actors against the interest of national governments, there may be strong incentives for the European Commission to hand back some of the competence for cohesion policy. The proliferation of regions and cities involved in cohesion policy puts the Commission in a weak position at a time when net contributors demand value for money. In this context, the increased mobilisation of regions and cities may ultimately lead to a renationalisation of the governance mechanisms of the Structural Funds.

What then would be the role for local actors in the cohesion policy field? The pressure to concentrate resources more effectively in the new budget and programming period will be considerable. At present, more than 50% of the EU's population live in regions eligible under one of the Structural Fund regional Objectives (1, 2, 5b or 6). It has already been announced (see European Commission 1996a) that the Commission will seek to reduce the level of population coverage in the next round. Again, this may involve further geographical targeting of eligible areas. For example, much has been made of the performance of the 'Emerald Tiger' economy of Ireland, such that Ireland may no longer be fully covered by Objective 1 status after the year 2000 (should that Objective continue to exist). On the contrary, parts of Dublin might lose eligibility under Objective 1 while other parts of Dublin might qualify for assistance under any new Objective designed to encompass urban areas experiencing difficulties. The logic of increased concentration points further in the direction of geographical targeting, even if responsibility for the governance mechanisms are substantially handed over to the Member States.

As suggested at the start of this paper, we should not be blinded by the apparent dynamics of recent territorial political mobilisation, but should bear in mind the practical policy realities which lie behind cohesion policy as it is currently organised in the European Union. Together, the increasing concern for redistribution (even if this has only been incremental and at the margin of cohesion policy to date) and the pressure for further concentration of resources are likely to underpin the increased prominence of local level actors in this field. The politics of cohesion, beyond the budget setting phase, are largely shaped by the internal dynamics of cohesion policy. As always, however, when analysing EU policy developments, the future scenario is inherently complex.

It is extremely unlikely that local mobilisation will in turn change the equilibrium policy situation at EU level. On the contrary, the proliferation of actors may in the end encourage the Commission to reduce its own involvement in the practice of cohesion policy. After setting the broad eligibility criteria, strategic priorities and the general rules of the funding game (much as it did in 1989), the European Commission may next time around opt out of the domestic partnership arrangements. If such a renationalisation of partnership structures does indeed take place, the continued prominence of the local level in cohesion policy will ultimately depend on national variables, such as local administrative tradition and competences, institutions and political processes.

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