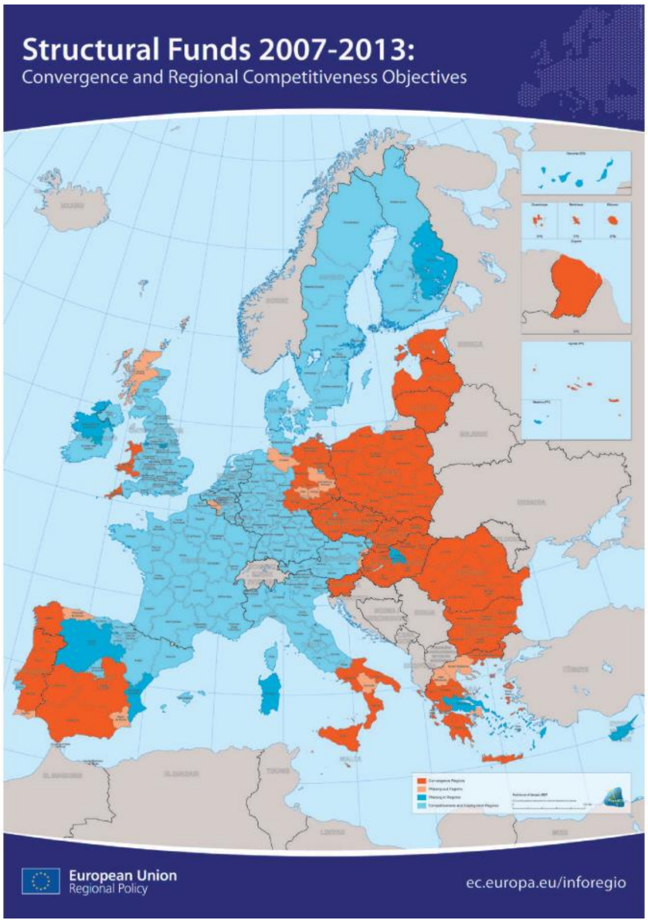

MASTER'S THESIS

ABSORPTION OF EU COHESION POLICY FUNDS IN SOUTHERN EUROPE: A CASE STUDY OF GREECE AND PORTUGAL

Rory van Oosten
Student number: **479320**

Degree programme:
International Public Management & Public Policy, Erasmus University Rotterdam

First reader: **Dr Asya Zhelyazkova**
Second reader: **Dr Geske Dijkstra**

Date of submission: 26 July 2018

Word count: 24,836

Abstract

The Cohesion Policy of the EU is financed by over one-third of the entire EU budget and its primary aim is to support the less well-off regions within the Member States of the EU. One of the more salient areas of research on Cohesion Policy is the problem of *absorption*, namely why certain countries or regions absorb their allocated funding more quickly than others and, indeed, why some countries or regions manage to absorb all or most of their funding, while other countries fail to do so. The latest research focuses on the role of politics in the absorption process, specifically in Central and Eastern Europe, and this thesis contributes to the literature by considering the effect of politics in the form of political ideology and politicization of the bureaucracy on the absorption of Cohesion Policy funding in Southern Europe. This qualitative research takes the form of a covariational analysis and selects Greece and Portugal as the case studies with regard to their total absorption from the three main funds – the ESF, ERDF and CF – with the absorption of the latter two being subject to particular qualitative scrutiny. It is found that at the uppermost state level there is little evidence to suggest that politics in the aforementioned form had a tangible effect in these countries during the 2007-2013 programming period (PP). This is due to the overwhelming effect the 2008 financial crisis which overshadowed this PP to the extent that its effect on absorption was found to be the predominant influencer of absorption trends – or at least a good justification for decisions throughout the period to alter planned spending. One of the main limitations of this study is its reliance on publicly available data and documentation, and recommendations for future research include altering the unit of observation of the dependent variable from absorption of the *funds* to absorption of specific *operational programmes*, perhaps during the latest PP.

Table of Contents

Glossary of key terms

CEE	Central and Eastern Europe
CF	Cohesion Fund
CP	Cohesion Policy
DG	Directorate-General
EC	European Commission
EJPR	European Journal of Political Research
EPP	European People's Party
ESF	European Social Fund
ESIF	European Structural and Investment Funds
MS	Member State (of the EU)
NOP	National-level operational programme
NSRF	National Strategic Reference Framework
OP	Operational programme
S&D	Progressive Alliance of Socialists and Democrats
PP	Programming period
ROP	Regional operational programme
SF	Structural Funds

1 Introduction

Cohesion Policy (CP) is one of the most salient policies of the EU and, to date, over a third of the EU budget is used to finance it; however, its prominence in the upcoming EU budgetary period is under threat of being cut by 7% (Bayer, Livingstone & Greenhalgh, 2018), making it a particularly politically current topic. In basic terms, the most important objective of CP by far is to support economically 'less developed regions' (Mohl, 2016, p. 2). EU aid under CP was initially focused mainly on supporting national labour market policies, but over time it has been extended to areas that include research and development projects, renewable energies, support for cultural activities as well as health and education systems (p. 2). Nevertheless, to this day much disparity exists across the EU in terms of wealth and infrastructure between countries and across regions; the policy aims to reduce the disparity between the regions by reducing the 'backwardness' in the EU's 'least favoured regions' and, through helping these countries, CP stimulates both them and their neighbours to grow (Seetharaman, Desjardins & Gauret, 2018).

Despite the good intentions of the policy, it has been subject to criticism, particularly with regard to the use – or rather misuse – of funds; for instance, in a number of countries a system of clientelistic exchange has come into being with politicians directing funds at businesses in order to mobilise electoral support (Rohac, 2017). Another problem is of countries, particularly those in greatest need of funding, not being able to utilise it fully: One of the latest developments in terms of research on CP is the problem of *absorption*, namely why certain countries or regions absorb their allocated funding more quickly than others and, indeed, why some countries or regions manage to absorb all or most of their funding while other countries fail to do so.

Absorption is the term employed to describe the execution of payments by the European Commission (EC) to the relevant regional authorities or national governments (Insideurope, 2013). Before a particular funding period commences, funding is *allocated*, that is to say earmarked, for certain projects and once the specified criteria have been met, the transfer is made by the EC to the relevant Member State (MS) or region, meaning the funding has been *absorbed*. Regarding the latest programming period (PP) (2014-2020), this disparity can be seen in the figures for the end of 2017 which show that Romania only absorbed 1.1% of its allocated funding, while its neighbour Bulgaria absorbed 7.5% and Portugal tops the list at 10.9% (Alexe, 2017). While much research has been done on absorption in Central and Eastern European (CEE) MSs, research in Western MSs remains sparse. This thesis is a qualitative, comparative study of the effect of politics on the absorption of EU funds under CP, relating in particular to the European Regional Development Fund (ERDF) and Cohesion Fund (CF), in the Southern European EU MSs of Portugal and Greece during the 2007-2013 PP. This study finds that there is no compelling evidence to suggest that politicization in the form of political ideology and politicization of the bureaucracy had a negative effect on the absorption of EU funding in Greece and Portugal. Although the effect of politicization has not been ruled out, it was found that the effect of the financial crisis overshadowed any potential effects of politicization.

This introductory chapter looks at how the policy exists today as well as its relevance to researchers and the average European alike. In terms of the research that this thesis aims to supplement, the social and theoretical relevance of the absorption of EU funds in Southern European MSs is discussed in this chapter after briefly explaining CP and presenting the exact research question that this study aims to answer. A lengthy explanation of CP, in which concepts relevant to this thesis are laid out clearly, has its own dedicated chapter. At the end of *Chapter 1*, an overview of how this thesis will proceed is provided.

1.1 Cohesion Policy today

The CP of the EU, also known as the Regional Policy, exists in order to *reduce economic and social disparities between different regions and social groups in the EU*, which is a **classic normative redistributive goal** (Hix & Hoyland, 2014, p. 230). This involves the wealthier countries of the EU transferring more money to the EU budget than they receive back and less developed countries in turn receiving more from the budget than they themselves contribute. CP is regarded as the EU's main investment policy and it targets all regions and cities in the EU in order to support job creation, business competitiveness, economic growth, sustainable development, and improve citizens' overall quality of life (European Commission, 2018n). Currently, the EU budget dedicated to CP amounts to €351.8 billion for the 2014-2020 PP, which represents 32.5% of the entire budget (Guyot, 2018). Recently (April 2018), the European Parliament temporarily put a hold on the Commission's plans to move up to €20 billion from CP to incentivise structural reforms in the MSs, a move supported almost unanimously by all political groups due to a lack of transparency on the part of the EC (Lampropoulos, 2018). This demonstrates just how politically sensitive changes to CP are, highlighting its relevance in academia. This is discussed in relation to the formulated research question.

1.2 Research question

EU funding, despite being subject to certain checks and balances and having to comply with certain rules for usage, is not immune from being used in politically motivated ways, and this can be reflected in the patterns of its absorption. This is an aspect that has recently become more prominent in research to explain differences in absorption between operational programmes (OPs), regions and countries. The research question emerged as a result of reviewing the literature related to the allocation and absorption of EU funding under CP quite generally and finding that absorption and the role of politics, in particular, is an area warranting further research. This method ensured that the research question held theoretical relevance, which is discussed in the following subchapter, as it was based on the latest research. Furthermore, being familiar with previous research ensures the originality of the research question and, as the case may be, the methodology adhered to. This process resulted in the following research question:

> **Does politics in the form of political ideology and politicization of the bureaucracy have an effect on EU Structural Fund absorption under Cohesion Policy in Southern European Member States?**

The above research question is answered by way of testing hypotheses related to the anticipated relationship between the identified independent and dependent variables, those being, in their simplest form, *politicization* and *absorption*. The tested hypotheses are introduced and backed up theoretically in the *Theoretical framework* chapter, where the theory on which this research is based is introduced. Politics, interpreted here as both politicization of the bureaucracy and political ideology stemming from partisan politics, is an aspect that is intriguing as it has been researched in other areas related to the EU, but it has only had attention drawn towards it more recently (see *Literature review*). The next subchapter looks at the relevance of this particular research question.

1.3 Relevance of research

Research on CP, specifically factors that affect the absorption of Structural Funds (SF), is both of high *social* and *theoretical* relevance. These two dimensions should motivate research in the realm of political science because this distinction allows researchers to scrutinise their research question in a differentiated way (Lehnert, Miller & Wonka, 2007, p. 23); in the context of this thesis, that would be to ask not only how researching the effect of politicization on the absorption of EU funding in Southern European states contributes to the theoretical discourse on absorption carried out by peers in political science more generally, but also how this research has value for non-peers i.e. how it contributes to the political knowledge and awareness of the general public (p. 23), this being, quite generally, European citizens residing in areas affected by CP and those providing the funds for it. Additionally, given that the effect of politics on absorption is a little-researched topic that has only started to be looked into in the last few years, most notably by Hagemann (2017), adds to its relevance as an area of research.

1.3.1 Theoretical relevance

As mentioned earlier, one of the latest developments in terms of research on CP is the problem of absorption, namely why certain countries or regions absorb their allocated funding more quickly than others and, indeed, why some countries or regions manage to absorb all or most of their funding while other countries fail to do so. To date, most of the research in the area of absorption has focussed on Central and Eastern European (CEE) MSs that acceded to the EU since 2004, i.e. the '*new*' MSs, which is the case with the study most closely related to this thesis carried out by Hagemann on *How politics matters for EU funds' absorption problems* (2017). Hagemann's results show that a significant role is played by frequent party alternation, i.e. the effect of the frequent alternation of political preferences in control of how EU funds are spent under CP, *in conjunction* with low capacities, ultimately leading to absorption problems (p. 1). It is therefore a natural progression of this research to analyse this political effect on '*old*' MSs, i.e. countries that were a part of the EU prior to 2004, specifically Southern European MSs where administrative capacities are not ideal. Hagemann himself recommends further research to be done to "broaden the scope and depth of the current perspective, testing the relevance of politicization […] in the old member states" (p. 15). Some evidence that the situation in CEE may be similar in Southern Europe is provided by Milio (2008) whose study focussed on Italian regions and demonstrates that appropriate administrative and institutional reforms are conditional on *political stability* to reach their desired goals (p. 931). Furthermore, focussing on Southern Europe is of particular relevance as there are plans in Brussels as of April to shift tens of billions of CP funding from CEE to those countries heavily hit by the financial crisis, such as Spain and Greece (Barker, 2018), which also ties in with the research's social relevance.

1.3.2 Social relevance

Improvements for the current 2014-2020 PP have been put forward based on the lessons learnt from the preceding period, e.g. in a study carried out by the DG for Internal Policies entitled '*Implementation of Cohesion Policy 2014-2020: Preparations and Administrative Capacity of Member States'* which specifies how low administrative capacity has been identified as an aspect requiring improvement (Bachtler et al., 2014, p. 13). Any further evidence brought to light relating to the negative influence of excessive political control of the bureaucracy would provide additional leverage that can aid in the improvement of the implementation of SF, which is in part what this thesis aims to achieve in addition to complementing the existing literature. Potential improvements in the execution of CP, i.e. increased absorption rates, affects whole swathes of Europeans in a positive manner, ranging from improved public infrastructure such as new roads to opportunities for private individuals who benefit from the CP in terms of, for example, its incentives to improve SMEs (European Commission, 2018m). At this point in our history, where nationalism and Euroscepticism are gaining popularity, EU funding provides the most tangible evidence of the benefits of the European project (Rossi, 2018, p. 1). Thanks to shared and multilevel management, the partnership principle and territorial cooperation, these funds allow stakeholders to openly participate in EU policy (p. 1). All of the above demonstrates that the research question fulfils both scientific and social dimensions of relevance and is worthy of pursuit.

1.4 Structure of thesis

Following on from this chapter, the next chapter deals exclusively with CP, including an explanation of the key terms used in this thesis as well as an outline of its historical development. The aim of this is to orient the reader in the area pertaining to the research question. Following on from this, the literature review is presented in which much of the existing literature in the field of research is covered, this being mainly the literature on absorption. Thereafter, the theoretical framework looks at the hypotheses which were formulated to operationalise the research question. Next, the research design is outlined, which is the detailed methodology for the execution of the analysis. The main analysis is then explored in depth which involves the qualitative analysis of graphs and EC documentation. The conclusion provides an explicit answer to the research question, outlines the limitations posed by this study, and makes suggestions for future research in the area of EU CP funding.

2 Cohesion Policy

This chapter on CP serves to orient the reader in the topic area of CP and is divided into three main subchapters. These subchapters look at how CP works in terms of the division of funding, followed by a subsection dedicated to the elaboration of the most important terms and concepts introduced in this thesis – either in the analysis itself or in relation to the literature –, and then the last subchapter briefly describes the historical processes that have led to CP, with a view to highlighting its increased relevance over time.

2.1 How Cohesion Policy works

The amount of money allocated in the EU budget to Cohesion funding for each PP is decided in the Council of Ministers, which for the 2007-2013 PP was a process fraught by a protracted period of intergovernmental bargaining due to the requirement for unanimity (Rufino, 2005). It can be said that the EU budget is distributed primarily by way of intergovernmental grants to sub-state governments, which in turn invest the grants in local projects (Dellmuth & Stoffel, 2012, p. 413). Net contributors contribute more money to the EU budget than they receive, and net beneficiaries are the inverse (BBC, 2018). CP, in its simplest terms, involves significant fiscal transfers from taxpayers in the north (net contributors) to less well-off countries in the east and south (net beneficiaries) (Hix & Hoyland, 2011, p. 232). This can be regarded a sort of 'fiscal federalism', whereby fiscal transfers are made between territorial units through a central budget; however, since transfers are made at the sub-state level rather than between states, it cannot be regarded as pure fiscal federalism (p. 233). *Figure 2.1* displays how, in 2007, the net contributors to the EU budget were countries located mainly in Northern and Western Europe, and the net beneficiaries were mainly those located in CEE and Southern Europe.

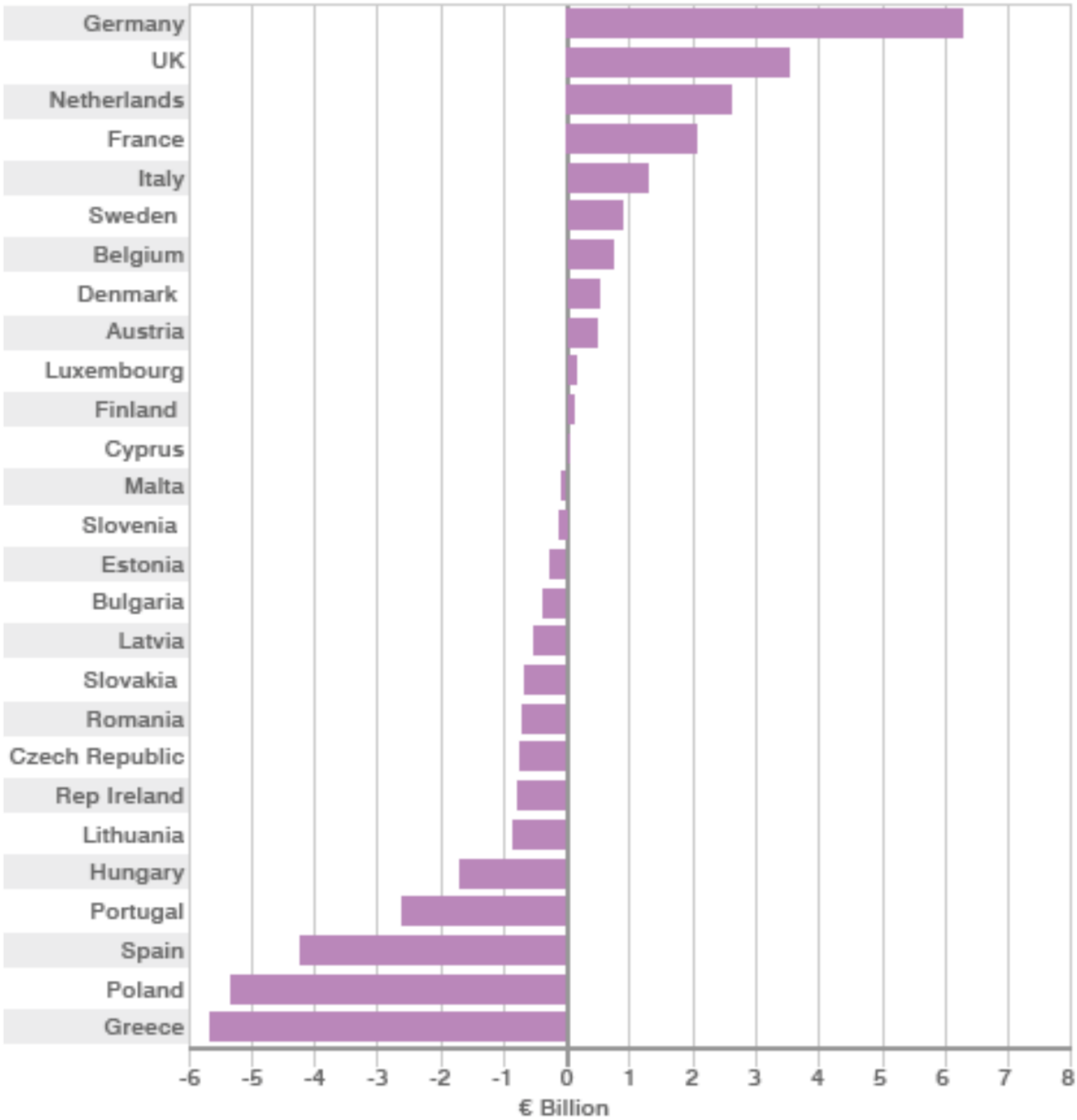

Figure 2.1. Net contributors and net beneficiaries of the EU budget in billions (BBC, 2018a)

The funds are allocated within a multi-annual framework, based on socio-economic analysis and on a clear strategy with priorities and objectives (Brunazzo, 2010, p. 296). Since 1988 these programmes have been prepared by the regions and/or MSs and are submitted for inspection and negotiation to the EC, which then adopts them (p. 296).

In terms of the actors involved in CP, the compilation of the National Strategic Reference Frameworks (NSRF) for the 2007-2013 period states that *"the strategies and their programmes have been developed in partnership between the Commission and national, regional and local authorities as well as economic and social partners, NGOs and other key players"* (European Commission, 2008, p. 3).

The following subchapter explains and elaborates on some of the concepts introduced in this subchapter.

2.2 Definition of important terms and concepts

The most important terms relevant to this study, including some background information, are defined here due to the specialized jargon relating to this topic. This section, in combination with the *Glossary of key terms,* acts as a point of reference. Subordinate terms are marked in bold within their relevant overarching sections to avoid a list-like format for ease of reading.

2.2.1 Allocation and absorption

Absorption is defined as the funds that have been paid out from the EU budget by the EC to the relevant national or subnational bodies in a MS. By extension, *absorption rate* is the percentage of the total funds *allocated* to MSs that has been paid by the Commission (Insideurope, 2013). **Allocation** is the funding that has been earmarked to different countries, regions and programmes, and is agreed upon between the relevant country and the EC, with countries and regions having a certain level of discretion as to how funding is used within each objective as long as it is in line with the NSRF (UK Parliament, 2008). The transfers are allocated within the scope of the ESIF (European Structural & Investment Funds) (Dellmuth & Stoffel, 2012, p. 413). Before a PP commences, the relevant actors agree upon a *Partnership Agreement*. Previously, and for the 2007-2013 PP, these agreements were known as the **National Strategic Reference Frameworks (NSRF)**. They outline the investment priorities for the new generation of regional and sectoral programmes (European Commission, 2008, p. 3).

2.2.2 Additionality

Additionality is one of the four key principles for the management of CP alongside partnership, programming and concentration (Hix & Hoyland, 2011, p. 230). **Additionality** means that MSs must co-fund projects funded by the EU in accordance with specifically outlined rules (p. 230). The rationale for this principle stems from the desire to avoid national governments using EU resources in order to reduce public spending on regional development (p. 230). This principal is of particular importance for this thesis as it is argued in the theoretical framework that the co-financing of projects under CP in part affects absorption rates.

2.2.3 Financing rules

The methodology of allocation restricts the transfer of Structural and Investment funds to just 4% of the MSs' GDP (Cace, Cace, Iova & Victor, 2010, p. 12). The **N+2 rule**, which became the **N+3 rule** for the PP of 2007-2013, means that a country may spend the amounts allocated for that specific year over the next two or three consecutive years (p. 12), i.e. money allocated for spending in 2013 can be absorbed up until 2016. The CP framework is established for a period of 7 years, known as a **programming period** (PP) (European Commission, 2018l) with the PP under investigation in this thesis covering the years 2007-2013. The EC plays an important role in the execution of CP in that it **commits** the funds to allow the countries to start spending on their programmes and it then pays this amount out to each country and monitors each programme alongside the country concerned (European Commission, 2018f). **Decommitment** (of funding) refers to money that is no longer available because of a failure to absorb a tranche of allocated funding within the permitted two/three years (European Commission, 2018g).

2.2.4 Funds

CP is delivered through three main funds which form a part of the **European Structural and Investment Funds (ESIF)** (see *Figure 2.2.4*). These funds are the European Regional Development Fund (**ERDF**), the European Social Fund (**ESF**), the Cohesion Fund (**CF**) (European Commission, 2018d). Every EU region may benefit from the ERDF and ESF, however, only less developed regions may receive support from the CF (European Commission, 2018a). These three funds are overseen by two DGs in the EC, namely **DG Regional Policy** and **DG Employment, Social Affairs and Equal Opportunities**, which approve the overall strategy of the MSs' expenditure and are also responsible for MSs' control and audit systems being well designed (Financial Times, 2018). The diagram below shows which policy area the ESIF are intended for:

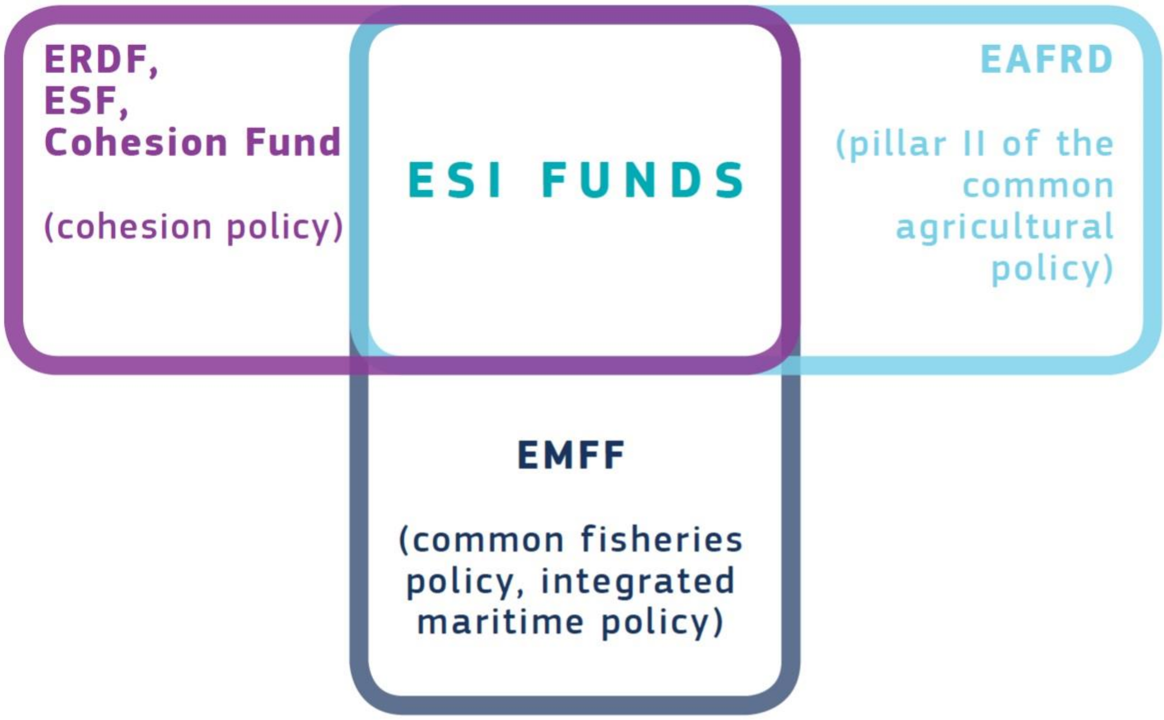

Figure 2.2.4. Visualization of the ESI funds and their respective policy areas (European Commission, 2015a, p. 8).

Each fund is used for a different purpose. The **main intention of the ERDF is to support infrastructure projects and invest in companies**, those being SMEs in particular (Financial Times, 2018) with the overall aim being to strengthen economic and social cohesion in the EU by correcting imbalances between its regions (European Commission, 2018b). The ERDF was established in 1975 and was considered a compensation measure for net contributors to the Community budget (Brunazzo, 2010, p. 294).

Contrastingly, the ESF provides funding to programmes which are designed to help the unemployed find work, promote lifelong learning and combat discrimination in the labour market (Financial Times, 2018), therefore the **ESF invests in people regarding their employment and education** and it also aims at improving the situation of those most at risk of poverty (European Commission, 2018c). It was one of the three instruments established by the Treaty of Rome to address regional imbalances (Brunazzo, 2010, p. 292).

The CF aims to reduce economic and social disparities and promote sustainable development and is targeted specifically towards MSs whose GNI per inhabitant is **less than 90% of the EU average** (European Commission, 2018a). It was established in 1993 to aid the poorest EU MSs to allow them to finance major infrastructure projects in the area of environment and transport, though its original purpose was to help states meet the EMU convergence criteria (Brunazzo, 2010, p. 295). In the 2007-

2013 PP, beneficiaries comprised 15 MSs, i.e. the CEE countries in addition to the Southern European states of Greece, Portugal, Spain, Cyprus and Malta (European Commission, 2011).

2.2.5 Objectives

The CP objectives have been altered for the latest PP, but for 2007-2013 the main objectives were known as Objective 1, Objective 2 and Objective 3 (European Commission, 2015b). Objective 1 is aimed at regions with a GDP per capita below 75% of the EU average and the Objective 2 is aimed at helping regions that have been considerably affected by industrial decline (Brunazzo, 2010, p. 296). Objective 3 is aimed at regions not covered by Objectives 1 and 2 and aims to modernise 'human resources' infrastructure (Hix & Hoyland, 2011, p. 231). They can be summed us as convergence, regional competitiveness and employment, and European territorial cooperation (European Commission, 2015b).

2.2.6 The regions and NUTS

In order to emphasise the regional basis of CP, a system for classifying territorial units was required and this need was accordingly fulfilled by adopting a system devised by Eurostat in the 1980s (Leonardi, 2005, p. 7); Eurostat classified sub-national areas from NUTS 1, representing major socio-economic regions (European Commission, 2018k), down to NUTS 5, representing towns and villages. NUTS 2 was defined as the regional level and became the basis of CP (Leonardi, 2005, p. 7), i.e. NUTS 2 regions are eligible for support from CP (European Commission, 2018k).

2.2.7 Operational programmes

OPs are detailed plans in which the MSs set out how money from the ESIF will be spent during the PP (European Commission, 2018j). Three main types of OP exist: those for specific regions, those for a country-wide thematic goal (e.g. the environment), and cross-border/interregional OPs for the European territorial cooperation goal (2018j). Thematic-goal OPs at national level are controlled by the national government and regional OPs by the sub-state **managing authorities** (**MA**s), which are the *regional authorities* of the relevant regions (Hix & Hoyland, 2011, p. 231).

2.3 Brief overview of historical development

Now that we are acquainted with some of the key concepts related to CP, it is appropriate to cast a look at the history of the policy in terms of how it developed into cornerstone of the EU that it represents today. Although the EU is not a federation in the classical nation-state sense, CP can be considered a sort of fiscal federalism policy executed on a supra-national level with the aim of establishing equalization, at least partially, of fiscal capacity and per capita income between the sub-state regions and countries of the EU (Becker, Egger & von Ehrlich, 2010, p. 578). CP as an explicit EU policy has existed for 30 years (Hooghe, 1998, p. 457) with there only having been a minimal European policy on cohesion prior to 1988 (p. 459). The reform of the SF was finally agreed in 1988 and came into operation in January 1989 (Bache & Jones, 2000, p. 1). This followed the implementation of the Single European Act (SEA) in 1987 when the EU budget became allocated within multi-annual PPs (i.e. 1989-1993, 1995-1999, 2000-2006, 2007-2013 and 2014-2020) as opposed to on a year-by-year basis (Mohl, 2016, p. 1). Hooghe (1998) describes CP as a form of *regulated capitalism* which stands in stark contrast to neoliberalism, both being the main contending models of capitalism for organising European society at that time (p. 458). In the words of Hooghe:

> "*proponents of regulated capitalism want to create a European liberal democracy capable of regulating markets, redistributing resources, and shaping partnership among public and private actors. They contend that the single market works more efficiently if political actors provide collective goods such as European-wide transport and communications infrastructure, information networks, workforce skills, and research and development* (p. 459)."

Important in the context of this thesis is to take note of the supporters of this redistributive project, those, according to Hooghe, being most centre-left and some Christian Democratic parties in Europe, which also included trade unionists, environmentalists, local and regional governmental actors, and even certain business representatives at national and European level (p. 460). As a side payment to then-new MSs of Spain and Portugal in exchange for their consent to the internal market programme, the SF were doubled, which EC President Jacques Delors and his allies wasted no time in exploiting, as Delors himself was a prominent supporter of European regulated capitalism and, by extension, of CP (pp. 460-461).

By the twenty-first century, CP had already expanded to around a third of the entire EU budget under the 2000-2006 fiscal framework and one of its biggest challenges was accommodating the 2004 enlargement round to the East, i.e. the accession of countries containing regions with vastly disparate economic conditions to many of those already in the EU (Funck & Pizatti, 2003, p. 1). This event sparked much research into the effect of CP on a number of indicators in the years that followed in new EU MSs. CP, as Funck and Pizatti note, goes hand-in-hand with an increasing emphasis on interregional transfers (p. 5). As *The Economist* (2007) points out, there are strong economic and political arguments for investing in lesser developed parts of EU single market, as richer MSs gain from such an open economic zone that strives for free movement of people, goods and capital.

3 Literature review

Ample research has been done on absorption of EU funding under CP, particularly in the years following the accession of many Central and Eastern European (CEE) states to the EU (Hagemann, 2017; Surubaru, 2017; Hapenciuc, Morosan and Arionesei, 2013). Many researchers have looked at the disparity in rates of absorption between different countries and regions and have found several different factors to explain this disparity in absorption capacity (Katsarova, 2013, p. 4). Katsarova defines *absorption capacity* as the "extent to which a country is capable of effectively and efficiently spending its SF allocation," and this is expressed in percentage of the total *allocation* (p. 2) (see *2.2.1 Allocation and absorption*).

Of course, each country is allocated a different amount under CP depending on its needs, i.e. convergence regions receive more funding than developed regions, therefore expressing absorbed funding as a percentage of allocated funding makes it easy to compare the absorption progress between different countries and regions alike. CP, as explained previously, supports a number of objectives which includes the convergence objective of raising per capita GDP in the convergence regions, thus reducing the economic disparity between EU MSs, and lowering the unemployment rate. Studies on these economic effects are considered first and this chapter progresses towards the area of CP which this thesis deals with, namely the interaction between politics and absorption.

3.1 Studies on the effect of EU funding generally

Investigation into the impact of EU SF on economic growth and the process of convergence is a widely researched topic (Jurevičienė and Pileckaitė, 2013, p. 2), which chronologically precedes many studies on absorption. For instance, Becker, Egger and von Ehrlich (2010) assess the effect of EU SF on regional performance; they examine the causal effect of Objective 1 status (the highest form of SF aid for the EU's economically and socially 'lagging' regions (Boland, 2004, p. 249)) on per capita GDP growth of treated regions in the EU. The aim of Objective 1 funds is to facilitate convergence and cohesion within the EU and it constitutes the majority of the EU's SF programme (Becker, Egger and von Ehrlich, 2010, p. 578). They find that, on average, **Objective 1 status raises real GDP per capita growth** by approximately 1.6% within the same PP. However, **they find no significant effect on employment** (p. 578).

Moving more towards the topic of absorption, Jurevičienė and Pileckaitė (2013) take the case of Lithuania, one of five EU countries not subdivided into regions (p. 14), and deal with issues related to the impact of EU support and the problem of its absorption. Impetus for the research related to the notion that rushing to absorb support may lead to a little, zero or even negative impact on the national economy (p. 1). The aim of their study was to establish the impact of EU support on the economy in three areas: the attraction of foreign direct investment, state investment in capital formation, and the experience of companies including the problems they face (p. 2). In relation to absorption rates, they conclude that the **absorption rate of EU funds says little about the efficiency and expediency of absorption**; some rapidly absorbed funds may bring little to no benefit to the national economy, or sometimes even affect it negatively (p. 14). In terms of the impact of EU support, they found that some companies use funding to implement projects that are not their first priority and that the support can distort companies' investment motivations (p. 15).

3.2 Allocation and absorption

Related to fund absorption but focussed specifically on allocation theory, Kisiala, Bajerski and Stepinski (2016) assess how the structure of absorption of EU funds by Poland's voivodeships (highest-level administrative units) reflects the two basic types of allocation strategy, those being the *polarising* and *equalising* models. The equalising model theorises a reduction in excessive socio-economic differences by concentrating support in areas that are marginalised or the least economically successful (p. 414). The polarising model, by contrast, theorises that in order to maximise economic growth at a macroeconomic scale, areas with high development potential that display an adaptability to changing market conditions should be favoured in allocation (p. 414). 16 *regional operational programmes* (ROPs) in the 2007-2013 PP are looked at and the centre-periphery model is the frame of reference adopted in this research. They find through their analysis that the features of the **polarising model tended to predominate in intra-regional policy**. In most cases, however, the distribution of EU support represented a mixed model, with an inclination towards the polarising model (p. 413).

Novosak, Novosakova and Horvath (2017) take the case of the Czech Republic and its microregions to see how the factors of socio-economic disadvantage and absorption capacity influence the **spatial distribution** of SF payments among the Czech Republic's micro-regions during the 2007–2013 PP. The three main factors of socio-economic disadvantages extracted using principal component analysis were: an innovative and entrepreneurial economy, agglomeration effects, and environmental quality. Their results indicate that agglomeration economies[1], and innovation and entrepreneurship are associated with higher EU funding absorption capacity and higher SF payments, challenging the tendency for socio-economically disadvantaged regions to converge. Specifically, they find that micro-regions characterised by a strong innovative and entrepreneurial environment attracted more SF payments due to the greater number of projects prepared and submitted for SF co-financing. Similarly,

[1] Agglomeration economies are when firms and people locate near one another together in cities and industrial clusters (Glaeser, 2010).

with regard to agglomeration effects, these micro-regions also attracted more funding, however this is associated with their capacity to prepare and submit financially demanding projects. The factor of environmental quality was not found to be statistically significant in explaining variation in SF payments in micro-regions (p. 90).

3.3 Absorption problems and factors influencing absorption rates

Looking at absorption capacity, Tatulescu and Patruti (2014) use Romania as a case study to examine how economic downturns affect the absorption capacity of a country. They looked at three factors: macroeconomic and financial capacity, administrative efficiency, and people's uncertainty about the European funding system. They conclude that **a country's capacity to spend allocated funds is negatively affected by economic downturns** and, counterintuitively, that EU funds cannot be utilised to come out of a financial crisis. This is because a country's capacity to spend the allocated funding is hampered by economic depressions.

Tosun (2014) evaluates the determinants of the absorption performance of 25 EU MSs with regard to the ERDF during the 2000–2006 PP. She focusses her research on two questions, namely: is there a difference between the old and the new MSs with regard to ERDF absorption? and how can the cross-country variation in absorption performance be explained? (p. 371). The results show a **positive relationship between ERDF absorption and government capacity**, with 'government effectiveness' provided by the Worldwide Governance Indicators having been selected to approximate the government capacity of MSs (p. 377). The findings also indicate that new MSs generally had higher absorption rates than old MSs during this period, which she notes is remarkable considering the fact that they only began absorption in 2004 compared to old MSs which began in 2000 (p. 383). In addition, **MSs with high income levels were *less likely* to maximize the absorption of their ERDF allocations**. Furthermore, there is some support for the hypothesis that fiscal decentralization (concerning the transfer of fiscal competences to sub-national levels (p. 376)) has a negative impact on absorption performance (p. 371).

Hapenciuc, Morosan and Arionesei (2013) use statistical data to test three categories of factors that theoretically influence absorption to help explain the great differences in absorption levels observed between EU members located in CEE. These factors are: *macro-economic factors, factors related to administrative capacity, and factors related to co-financing capacity* (p. 271). They find that macroeconomic factors *do* have an effect i.e. that the growth in GDP in a region influences absorption capacity positively, with the notable exception of Romania, whose absorption capacity remained abnormally low. They also test factors related to administrative capacity as well as factors related to co-financing capacity and confirm that **better administrative capacity leads to better absorption as**

does better co-financing capacity of governments. In the case of Romania, they conclude that the so-called "Romanian paradox" (which points out that, despite being in great economic need, Romania does not manage to absorb its allocated funding (p. 270)) is not a paradox at all as these three categories are unfavourable in Romania and, overall, have a greater negative effect than their mere sum.

Comparing developed and lesser developed regions at the sub-state level across MSs yields some conclusions as to the determinants of EU fund absorption. Kersan-Škabić and Tijanić (2017) analyse 86 NUTS 2 *convergence regions* and 186 NUTS 2 *developed regions*, those regions with a GDP per capita below 75% of the EU average and those with a GDP per capita above 75% respectively, over two PPs i.e. 2000-2013, with the aim being to find out which indicators *(economic, institutional, financial)* can explain the absorption of funds in NUTS 2 regions in the EU (p. 1192). They found that the **absorption of EU funds is *conditionally affected* by the following determinants: regional economic characteristics, for instance labour force characteristics** (educational level and unemployment rates), **decentralisation, investments, institutional framework** (related to good governance and control of corruption) **and infrastructure development**. The results have confirmed that the chosen determinants of EU absorption are conditionally effective in that they differ between convergence regions and developed regions (p. 1204) (e.g. fiscal decentralisation is important in convergence regions specifically for successful absorption (p. 1205)); the significant differences in determinants across the regions according to their level of development means that these groups of regions should be observed in a separate way that is also defined in EU fund regulation.

3.4 Administrative capacity, politics, and absorption

Another factor which has been found to have an effect on fund absorption is politics. Regarding the effect of political factors on administrative capacity and performance in relation to the absorption of EU funds, Surubaru (2017) examines the 2007-2013 PP in Bulgaria and Romania, which represent two divergent cases regarding the management and implementation of SF. Using original empirical data, he argues that their divergence in capacity and performance can be understood by examining how political factors influenced administrative capacity developments and the processes surrounding the absorption of funds. He finds that the higher absorption performance of Bulgaria could be explained by accounting for how domestic political factors (e.g. political stability and support) have influenced the development of administrative capacity and how political agency, being the timely intervention of politicians, facilitated the processes surrounding the absorption of EU funds (p. 852). His study reconfirms the significance of administrative capacity for a country's performance (p. 852) and CP implementation and it also reconfirms that quality of governance/government matters can lead to a more effective use of EU funding (p. 853). Surubaru recommends examining the interplay between administrative capacity and political governance which can provide further avenues for exploring the delivery systems for EU regional policy (p. 853).

Also related to fund absorption and political factors, Zubek and Henning (2016) investigate the impact of local government performance (in particular financial and administrative capacity as two central factors of local government performance) as well as spatial spill overs in political knowledge, financial means and social relations as determinants of regional fund absorption (p. 368). Their individual case study focuses on Slovakia and the SAPARD programme (Special Accession Program for Agriculture and Rural Development) which was established for the rural development of the 10 candidate countries of CEE as pre-accession assistance for the period 2000–2006 (p. 374). They find that government performance has a positive impact on fund absorption (p. 368); high per capita income is directly correlated with the high financial capacity of both local government and private firms, which mainly directly implies a higher SAPARD fund absorption (p. 392). Also, financial and political knowledge spill overs between neighbouring communities are identified as spill-over effects for per capita income and administrative capacity respectively (p. 392).

Furthermore, in relation to the effect of political factors on implementation, Hagemann (2017) acknowledges the wealth of research that has pointed to administrative capacity as being indicative of how well funds are absorbed, but he states that this alone cannot explain differences in fund absorption as sometimes countries with low administrative capacities have high absorption; research on the 2004–2006 financing period finds that new MSs used their funding even faster than the old MSs. By 'politics' he is referring to party politicization of the implementation process and argues that political parties alternating in control of EU funds change implementation priorities in accordance with their preferences, thus disrupting the timely absorption of EU funds. He finds that the results strongly demonstrate that frequent party alternation, in conjunction with low administrative capacity, plays a role in absorption problems. This study is the one which is most closely aligned with the subject of study in this thesis.

3.5 Overall findings

The studies looked at in this literature review, particularly those related to explaining the factors that influence low absorption, come up with a variety of reasons why absorption may be hindered. In CEE MSs, administrative capacity, in particular, has been found to explain their lower absorption rates when compared to old MSs. It has also been found that economic downturns, such as the financial crisis of 2007-2008, negatively impact fund absorption, making it more difficult for countries to co-finance EU-funded projects. Regional economic characteristics have also been found to have an impact on absorption, such as the wealth of a region, and, more recently, political factors were likewise highlighted as having a role to play. These findings are later operationalised as control variables to aid case selection. As mentioned in the *Theoretical relevance* subchapter, Hagemann (2017) indicates that preliminary evidence, some of which being mentioned in the theoretical framework, has been found to suggest that the interplay of low administrative capacity and high government alternation have a negative effect on fund absorption in Southern Europe, an area that is compelling for further research. This thesis aims to fill this gap in the literature by looking at this political effect on absorption in Southern European MSs at the national level and to do so using more qualitative methods than have previously been employed.

4 Theoretical Framework

Based on the understanding of the area of research acquired from the literature review and other research linked to studies covered in the literature review, the research question inquiring *whether politicization of the bureaucracy in Southern EU MSs as well as political ideology have an effect on EU SF absorption* was operationalised as two hypotheses, each with a part A and a part B. Politicization as a concept in the area of political science is explained and the theory on which each hypothesis is based is also elaborated in detailed in this chapter. The research builds upon Hagemann's (2017) study on the role of politics in CEE CP fund absorption, in particular his theoretical mechanism to explain low absorption in cases of low bureaucratic capacity in combination with political instability. It also goes beyond this mechanism and looks at partisan politics and its potential effect on absorption as well.

In order to further develop the theoretical framework, part of this chapter – after defining politicization and prior to deriving the hypotheses – is also dedicated to the role of politics in related areas of the EU, such as the transposition of directives into national law and the allocation process of funding. These are areas in which its role is more obvious, as the literature, where the role of politics has indeed been empirically backed up, is far more extensive. For instance, Dellmuth and Stoffel's 2012 study of 419 local districts in Germany found that sub-state's electoral concerns do indeed influence the local allocation of structural funding, in accordance with theoretical expectations (p. 413).

4.1 Politicization

The theory on which this thesis is based is that **party politicization of public administration and political stability as well as party ideology** not only play a decisive role in areas such as the transposition of EU law into national law and the allocation of EU funds, but also has an effect on how much of and how quickly EU funds are used or 'absorbed'. To date, little research has been done in this area, particularly with regard to the interplay of politics and absorption in the 'old' MSs of the EU. In terms of new MSs, Hagemann (2017) is one of the first to investigate the role that politics plays in the absorption of EU funds in CEE MSs. Before proceeding with the subchapters dedicated to explaining the mechanisms underlying the formulated hypotheses, where – in relation to the first hypothesis in particular – the mechanism underlying Hagemann's theory is explained, a concrete definition of 'politicization' and related terms such as 'party politicization' are given as they are understood in political science and public administration literature.

Ronge (1974) explains the divide between politics and public administration and how it can be conceptualised in different ways. He refers to the traditional (Weberian) model, where government institutions work as a hierarchy with politicians making the decisions and bureaucrats executing them, as well as the model used by functionalist systems theory, which sees politics and administration as two individual subsystems within the broader political system (p. 86). Ronge points out that both theories presuppose that policies are activities carried out by politicians and administrators on behalf of the public and that the *administrative function* consists of making authoritative decisions concerning the distribution of benefits and values between social groups and individuals while the *political function* consists of mobilizing sufficient support for administrative decisions (p. 86). Following on from this conceptualization of the division of labour between politics and administration, two assumptions are made which underlie it: Both subsystems are equal in character, and there is a distinctive dividing line between the two subsystems regarding socialization of members, role behaviour, logic of action, et cetera. (p. 87). Based on this notion of the division of politics and administration in the political system, he defines 'politicization of the administration' as the gradual fusion of subsystem functions (p. 87).

Keeping Ronge's definition of 'politicization of the administration' in mind, 'politicization of the bureaucracy,' to which the research question refers, will henceforth be simply referred to as 'politicization' and it is based on the idea that, in the context of the management of EU funding, the blurring of the line between political decisions and administrative decisions leads to decisions being made by administrators that increasingly reflect political motivations e.g. electoral incentives, rather than the reduction of disparities between regions.

Party politicization, by extension, refers to how this process is influenced by the *political orientation* or the *political ideology* of those who manage the allocation of funding. This concept is somewhat distinct from politicization of the administration because it is related to the national government co-financing of projects that are at least partially funded under CP. It assumes that some political parties are more eager or willing than others to spend public money due to spending preferences influenced by their political orientation or political ideology. The mechanism underlying this assumption regarding spending preferences is elaborated in the relevant section relating to the second set of hypotheses.

4.2 Political influence on implementation in related areas

Now that 'politicization' in the context of this study on absorption is clearly defined, it is of value to cast a look at studies carried out on the effect of politics on the *transposition of EU law* and *allocation of EU funds* along with their underlying mechanisms, as the literature review mainly focussed on studies related to the dependent variable, i.e. absorption of EU funding, and therefore precludes some studies of relevance to this thesis.

4.2.1 Transposition

In the literature on transposition, there is clear evidence that politics and state preferences regarding EU legislation matter when it comes to the timely implementation of EU directives on a national level. For example, Thomson's explanatory analysis of the transposition of EU directives (2010) indicates that **states' policy preferences** significantly affect the likelihood of transposition problems, but this is conditioned by the behaviour of the EC (p. 577). The underlying mechanism is that governing parties delay the transposition of directives or parts of directives into national laws that they opposed during the decision-making stage, thus states' preferences during the decision-making stage affect states' behaviour during the transposition stage (pp. 577-578). This can be regarded as an example of how political preferences can have an effect on implementation.

Another example on the topic of transposition of EU legislation, Treib (2003) sought to establish which factors contribute to the correct and punctual implementation of EU directives. He looked at six labour laws in four countries and found that the "Misfit" theory, which holds that the speed and quality of national adjustment is determined by the compatibility of EU standards with existing national structures, only had limited explanatory power (p. 506). He found that opposing government preferences will make it hard to achieve the timely adoption of directives even if existing standards in the country do not require much adjustment (p. 524). Likewise, he found the opposite to be true: in spite of high transposition costs, a country can transpose legislation in a timely fashion if it supports it ideologically (p. 520). His central argument was that during implementation, national governments do not act as pure defenders of the status quo, but that their actions depend quite heavily on their partisan preferences (p. 524). This conclusion demonstrates that the mechanism that influences timely transposition of EU directives is influenced by party preferences.

4.2.2 Allocation

Allocation of EU funds is an area that arguably influences absorption in the sense that funding must be allocated or 'pledged' to certain pre-agreed-upon spending plans before it can be absorbed. In terms of how funding is allocated, Dellmuth and Stoffel (2012) provide evidence that sub-state governments' electoral concerns distort the local allocation of SF; their analysis of German states in particular suggests that the distributive choices of regional governments are systematically related to their electoral incentives (p. 413). That is to say that recipient sub-state governments enjoy substantial freedom with regard to the selection of projects, and political concerns have been found to influence this selection. Their results are significant because they indicate the presence of *political distortions* in EU spending programmes that they claim have remained unexamined at the time of publication (p. 428). These distortions are found to be financial transfers allocated by recipient governments in ways that are expected to please voters which may alter the intended effects of EU funding on socioeconomic development (p. 429). Although the distributive choices of recipient sub-state governments are found to be for the most part in line with European goals, evidence nevertheless points to electoral concerns being significant determinants of the local allocation of SF (p. 414).

Bouvet and Dall'Erba (2010) studied the influence of economic and political variables on the *allocation* process and made some interesting findings relating to the latter type. For instance, left-wing governments and more EU-sceptical countries get more Objective 3, 4 and 5 funds, but they receive less aid through Objective 2, and more secure national governments get more Objective 1 funding, while more secure regional governments tend to receive less funding through Objectives 1, 3 and 4 and 5 (p. 523). These findings relating to political orientation provide further evidence for the effect of party politics on the use of EU funding which makes the question of its effect on absorption all the more compelling.

4.3 Formulation of hypotheses

4.3.1 Mechanism underlying alternation and lower absorption

The mechanism underlying the assumption that frequent governing party alternation leads to absorption problems is what Hagemann tests. Hagemann (2017), in his study, defines party politicization as "the alternation of parties in control of ministries managing the 17 [OPs] under investigation" (p. 9). He hypothesizes that the more often the party in control of EU SF spending alternates, the lower the rate of absorption of EU funds as spending programmes are interrupted due to politicization of the bureaucracy. This is specifically due to the new party in control appointing new staff, which seriously interrupts the implementation process from which the programmes only recover slowly (2018, p. 163). To elaborate on this, in the best-case scenario parties will only alter some spending priorities and, by doing so, moderately impact the implementation process. However, in the worst-case, parties try to achieve fundamental changes in order to reward supporters by implementing their preferences and even go as far as exchanging managing staff in the EU funds units so that they can control the process fully. The result of this is then likely to have a serious impact, because a lot of energy has to be invested in planning new projects, while experience of existing staff is lost and managing capacities are lowered (Hagemann, 2017, p. 7). According to Hagemann, CEE MSs are the most likely cases for suffering a grave impact from politics on absorption on account of the steep polarization between parties and high party politicization of central public administration (p. 7).

Thus, high alternation of parties in office is expected not only to lead to an interruption of implementation, but also acts as an impediment of adaptation measures (2018, p. 163). This mechanism is expected to occur in cases where administrative capacities are already low, which has already been found to be a factor in absorption problems. Hagemann questions why in some cases low administrative capacity hinders absorption and in other cases it poses no impediment to timely absorption of funding. Therefore, he proposes exploring the interplay of politicization and low administrative capacity to explain this discrepancy between countries with low administrative capacity with high absorption, and those with low administrative capacity with low absorption.

This leads to the first hypothesis of this thesis, namely:

> **H1a: The more governing party alternations there is in a MS, the *lower* the rate of EU fund absorption.**

This means that at the end of the PP, in this case that of 2007-2013, absorption is expected to be higher in a country with fewer government alternations when compared to a country where the government changes several times, with all else remaining equal.

Since the consideration of absorption rates at the end of a PP is rather limited, and due to the fact that this study is a qualitative analysis which aims to go into more depth regarding a small-N amount of cases, a second part of this first hypothesis is deemed a worthwhile addition:

> **H1b: The more governing party alternations there is in a MS, the *slower* the rate of EU fund absorption.**

This hypothesis, while similar to the part A, refers to the temporal aspect of absorption over the course of the PP. Furthermore, this is an aspect that Hagemann does not consider as his study focusses on OPs in several countries. Analysing the rising level of absorption over time and comparing the rate between countries could potentially shed light on the immediate impacts of government changes over time. It is therefore expected that a country in which the government alternates frequently leads to a *slower* rate of absorption – particularly right after an alternation – than in a country where this alternation is limited or non-existent.

4.3.2 Mechanism underlying effect of party politicization on absorption

Politicization can also be considered within the scope of partisan theory. It is clear that different political parties espouse and practise different spending preferences, but how do these preferences play out when it comes to the topic of absorption of EU SF? One of the main divides when it comes to economic preferences is the left-right divide (Cusack, 1997, p. 375). Hibbs (1994), for example, explains **partisan theory of macroeconomic policy** as being based on the notion that political parties typically weight nominal and real economic performance differently[2], with left-party governments

[2] Real economic growth, as opposed to nominal economic performance, accounts for inflation by keeping prices constant (The Global Economy, 2018)

being more inclined than right-party ones to pursue expansive policies designed to yield lower unemployment and higher growth, but running the risk of extra inflation (p. 1); Abdel-Rahman (1997) explains Hibbs' Partisan Theory as follows: "*rightist governments 'strategically manipulate' the economy with greater aversion to inflation as compared to leftist governments which usually focus on rapid growth within an 'opportunistic' hypothetical framework"* (p. 222).

Cusack (1997) places Hibbs with the school of thought that attributes central importance to the ideological differences that affect how governments in modern industrialized democracies shape public programs and finance them (p. 375). Here, the left-right dimension on which differing class interests are regarded as pivotal is critical; in basic terms, lower income groups are seen as favouring a large and active state which is heavily involved in regulating the market and utilising public finances to equalize the outcomes of market operations. On the contrary, upper income groups are depicted as aiming to minimize the role of the state in shaping market operations and outcomes (p. 375). This theoretical assumption therefore begs the question as to whether a left-wing government in the modern European context would be more inclined to make use of SF given that the objective behind this funding is more in line with their economic view which favours a greater degree of government intervention. This consideration of partisan theory is distinct from Hagemann's definition of politicization, which merely involves the alternation of parties in control of funding and their effect on the bureaucracy. It is worthwhile to take to go beyond this idea in this qualitative study and expand it to politics more generally, i.e. to test whether parties' political ideologies also have a discernible impact on the absorption of EU funds in line with partisan theory as described above. The school of thought behind this theory can also be referred to as the 'politics matters' school, which, without disregarding the importance of economic factors, argues that there is a correlation between partisan variables and policy outputs (Imbeau, Petry & Lamari, 2001, p. 1).

Given our familiarity with partisan theory, it is necessary to define clearly the terms 'left wing' and 'right wing' within the economic dimension. Kelly-Gagnon and Geloso (2013) aptly and simply define left-wing and right-wing as they are commonly defined in political science: a left-wing party will be more likely, in its official statements, to propose additional government intervention in the economy and measures that will lead to increases in public spending, while a right-wing party will be less likely to propose such measures and will rely more on market mechanisms to solve economic problems (p. 1). This definition has been backed up by empirical studies, for example Pettersson-Lidbom has found strong evidence that parties matter for fiscal policy choices independently from voter preferences; simply put, left-wing parties spend and tax more than right-wing parties (2001, p. 18).

In relation to SF, a national government needs to spend in order to receive. This is referred to as the **principle of additionality.** Additionality is one of the principles behind the implementation of the ESIF and stipulates that contributions from the funds must not replace public or equivalent structural expenditure by a MS in the regions concerned by this principle (European Commission, 2018h). In other words, the financial allocations from the ESIF may not result in a reduction of national structural expenditure in those regions but should be *in addition* to national public spending. Therefore, it can be inferred that a left-wing party would be more inclined to make use of SF as the national governing party must increase its own expenditure in order to receive transfers from the EU Commission. This mechanism underlies the second hypothesis, namely:

H2a: The more left wing the government, the *higher* the rate of absorption.

As with the first pair of hypotheses, H2 is split into a part A and B with part A focussing on the overall level of absorption at the end of the PP under investigation. Part B, as with the first hypothesis, is focussed more on the evolution of absorption throughout the period in order to account for any relevant trends and has been formulated as follows:

H2b: The more left wing the government, the *faster* the rate of absorption.

4.4 Concluding remarks on the theory

As Hagemann (2017) points out, politics matters differently for CP implementation than it does, for example, for transposition. Opposing government preferences make it difficult to achieve the timely adoption of a directive, whereas with regard to EU funds, they are appreciated even by parties that would be more critical of the EU, and similarly, low absorption levels can sometimes be used by opposition parties to attack incumbents in election campaigns (p. 7), so it is in all parties' interest for funds to be absorbed. As political parties are generally in favour of using available funding, the difference lies in *how* the funding is spent, i.e. the usage of EU funds is strongly subject to party interests (p. 7). In terms of *allocation* of EU funding, since recent evidence suggests that political preferences matter for allocation decisions, i.e. that politics plays an important role for the use of EU funds, Hagemann uses this as a point of departure for his claim that it also impacts absorption (p. 2). Studies in the areas of transposition and allocation in relation to politics are therefore a precedent for studies relating to the interplay of politics and absorption.

As demonstrated in this chapter, there is evidence that politicization has an effect not only on the transposition of EU law but also on the allocation of regional funding, and new evidence from Hagemann indicates that it has an effect on absorption as well. In addition to Hagemann's mechanism involving the effect of political alternation in low administrative capacity contexts, theoretical notions of partisan politics are also considered in this study. For example, partisanship theory, which maintains that policy is motivated along ideological lines, suggests that since political parties differ with respect to economic policy, economic performance is expected to differ as well (Balke, 1991, p. 920). As has been shown in the explanation of the mechanism underlying H2, theory in this area lends itself well to being tested with regard to absorption of EU funding under CP.

5 Research Design

5.1 Introduction

The primary purpose of this research design chapter is to outline the strategy followed in this thesis to ascertain the role that politicization (see *Theoretical framework*) plays in the absorption of EU SF in Southern European MSs, and to provide a rationale for the various decisions made and justifications for the trade-offs regarding this strategy. This involves, among other elements, providing arguments in favour of the type of analysis chosen for this study, i.e. covariational analysis; outlining the case selection process leading to the selection of Portugal and Greece; defining the units of observation as the funds in both countries and providing a rationale for the timeframe of the analysis (2007-2013); as well as identifying the variables crucial to the study. The three classes of variables are: the dependent variable i.e. the absorption level/rates of EU funds – the main subject of the study whose value is being tested –; the independent variables, i.e. the level of political alternation and the propensity towards left-wing economic policies in both countries – whose effect on the absorption levels/rates it is that we are testing –; as well as the control variables which are those variables whose effects on absorption have been identified in previous studies. These control variables are the financial crisis of 2008, the level of wealth in both countries, and perhaps most importantly for this study, the administrative capacity of the bureaucracies. These variables are subsequently all operationalised through the selection of suitable indicators and data collection is addressed thereafter which concludes this chapter on research design.

5.2 Covariational analysis

A study in the field of political science can take various different forms with the main distinction being between qualitative and quantitative research; this thesis opts for the former type of analysis, the specifics of and rationale behind which are discussed in this present subchapter. The two cases selected for this covariational analysis are the Southern European MSs of Portugal and Greece, and the exact case selection procedure which led to this pair of countries being chosen for comparison is addressed in detail in the subsequent subchapter, as it is one of the most crucial steps of a covariational analysis (Blatter & Haverland, 2012, p. 41).

Within the realm of qualitative research, co-variational analysis is the research design chosen for this study with the rationale for both qualitative research and covariational analysis presented here. Firstly, qualitative analysis is selected over quantitative analysis as the number of case studies, i.e. Southern EU MSs, to choose from is rather limited. Small-N research is better suited to qualitative analysis and focussing on a small number of cases, in this case two, allows variables to be conceptualized in complex and multidimensional ways (p. 34). As there has been little research done to date on the effect of politicization on old MSs, this study can serve as a 'plausibility probe' which can subsequently be tested in a '*larger*-N' study involving all or specifically old MSs, as they have been rather neglected by recent studies on the relationship between politics and absorption in favour of new MSs, to see if politicization matters more generally (p. 34).

Secondly, regarding the choice for covariational analysis, this research design has a number of advantages as well as trade-offs. Within the covariational approach are different modes of comparison i.e. cross-sectional and intertemporal designs as well as a combination of both (pp. 44-45). As this study considers two countries at the same time period, it is a cross-sectional comparative study; a cross-sectional design is useful for comparing countries within a specific geographical area, in this case Southern Europe, as the likelihood of identifying cases exhibiting similar control variables is relatively high due to countries in this particular geographical region having certain historical and cultural characteristics in common (p. 45). In addition, an intertemporal or cross-sectional-intertemporal design would require data to be acquired for more than one PP, posing difficulties for a few reasons which will be discussed in the relevant subchapter entitled *Timeframe.* One identified trade-off, however, is that a mere cross-sectional comparison cannot indicate which of the variables that varies is the cause and which is the effect as both are measured simultaneously; the implication here is that theory must be employed to argue why the causal path works in a certain direction (p. 47). Furthermore, in terms of previous studies on the *absorption* of EU funds, as can be seen from the literature review, covariational analysis has been rarely used, if at all, as the N in previous studies usually involves more than two cases or a case study is focussed on one particular case, for example, Tatulescu and Patruti's (2014) study on "Romania's Absorption Paradox". A detailed comparative case study in itself, therefore, complements existing literature in terms of its design; in other words, comparing two countries in the form of a covariational qualitative analysis is an original addition to the literature. In addition, a comparative analysis allows the researcher to go into more depth when analysing the cases than they would be able to do by utilising a quantitative research design method and examine nuances, in this case, the socio-political context at precise moments in time that are thought to exert an impact on absorption rates.

5.3 Case selection process

Arguably, the most crucial aspect of this research design as well as the most difficult is the case selection. In terms of this study in particular, the case selection has proven to be a difficult process and poses a number of limitations to the study, some of which will be explained in this subchapter and also elaborated upon in the section related to *limitations* of this study. This is due to the fact that two cases must be selected that vary significantly in the independent variable yet simultaneously display similar values in the control variables. Due in part to the limited number of cases, i.e. 27 MSs for the 2007 – 2013 PP (note: Croatia acceded to the EU in 2013), it is impossible to find two cases that would be perfectly suitable for a comparative study.

In terms of specifying the general region for the selection of cases, the choice stemmed from the motivation to research the effect of politics on the absorption in old MSs, as indicated in the subchapter on *Relevance of research*. The choice was later isolated to countries in Southern Europe for economic, social and historic reasons, and also due to the fact that Hagemann had made an indication that there was already first evidence of the detrimental political effect of the frequent changes of staff on administrative capacity in a Southern European country, namely Italy, in a study carried out by Simona Milio (Hagemann, 2017, p. 8). Milio (2008) looked into the misguided belief that a mere implementation of appropriate administrative and institutional reforms should be sufficient to lead to an increase in the implementation rate of SF programmes and found that this requirement is conditional upon a sustained, coherent and consistent framework, which such a complex system as SF implementation would require (p. 931). This is why sustainable and coherent long-term programme management and implementation, i.e. political stability, is a political condition conducive to guaranteeing the desired goals of administrative capacity (p. 931). This evidence adds to the argument for restricting case selection to Southern Europe due to certain administrative similarities with CEE countries (European Commission, 2017).

Southern Europe, as the term is understood in this study, refers to a specific group of EU countries located geographically in the southern part of the European continent, specifically Portugal, Spain, Italy, Greece, Cyprus and Malta. All but two of these six countries were part of the EU prior to the 2004 accession round and do not include former communist states, of which some are also geographically located in Southern Europe. By way of use of a process of elimination, Greece and Portugal become the obvious cases of comparison. Firstly, since Cyprus and Malta acceded in 2004, they are not considered 'old' MSs and their selection would thus not be in line with the purpose of this study. Secondly, all of these countries *bar Italy* drew funding from the CF during the 2007-2013 PP (European Commission, 2011) which makes Italy unsuitable as the funds are what are subject to analysis. Of the remaining countries, only Greece experienced a high frequency of alternations in its national government, so it is clear that it is suited to representing the case of 'high alternation' for testing H1. For 'low alternation', Spain and Portugal are contenders for comparison. Spain, which also experienced only one government alternation, begins the 2007-2013 PP under the rule of S&D-affiliated PSOE and alternates to the EPP-affiliated PP in 2011 (BBC, 2018b). However, since low administrative capacity is a requirement, Spain's Governance rating of 6.29 ranks it as 22 of 41 OECD countries, whereas Portugal ranks at 31 with a Governance rating of 5.71, closer to Greece's 4.91 (ranked 38th) (SGI, 2014, p. 17). There are also additional reasons that give weight to the case selection of Greece and Portugal which will be considered presently and the requirements stemming from the hypotheses are considered in more detail thereafter.

There are several similarities between Greece and Portugal that make them apt for comparison. For example, both have been members of the EU since the 1980s[3] and historically speaking, both countries prior to accession had relatively recently endured dictatorship rule until 1974 ("Konstantinos Karamanlis," n.d.; "Portugal,", n.d.). In addition to Portugal and Greece being similar sizes in terms of population, 10.5 million and 11.1 million respectively in the year 2007 ("Portugal Population," n.d.; "Greece Population," n.d.), they have a level of GDP, which, during the period of analysis, qualified them to receive funding from the CF, which is only made available to select countries in most need of this funding (European Commission, 2018i). Furthermore, both countries were very heavily hit by the financial and economic crisis of 2008 (Brazys & Hardiman, 2015), which can be seen in *Figure 5.6.3* below.

In terms of the difficulty of selecting two cases with regard to the independent variables presented by the hypotheses, the rationale behind the choice of Portugal and Greece is elaborated upon by addressing the requirements presented by each hypothesis. For H1, this study requires a pair of cases where the independent variable in one case involves little to no alternation in terms of national governing parties, and the other case, in contrast, requires a comparably high frequency of alternation of governing parties over the 2007-2013 timeframe. However, H2 requires us to consider two cases which are relatively differentiated in terms of the left-wing and right-wing tendencies of the governing parties; ideally this would be a case in which a left-wing party remains the governing party for the entire PP and another case in which a right-wing party forms the governing party for the entirety of the same period.

Of course, such a case pairing is impossible to find due to a number of factors: firstly, due to the time period of study, namely seven years, as most countries would at least have one general election before the PP has reached completion (one approximately every four years (Basevi, 2013)). In fact, many countries considered were subject to more than one election during this time period. Secondly, as coalition governments are common in most European nations (Boucek, 2010, p. 48), their prominence adds a layer of difficulty to the selection of two cases for study as they make it even more unlikely to identify a country in which the government is composed of solely left-wing parties or solely right-wing parties during the PP in question. As the nature of the two hypotheses is quite different, one considering alternation and the other partisan politics, an ideal study would compare two countries to test H1 and another two to test on H2. This, however, would contribute its own difficulties in terms

[3] Greece acceded to the Union in 1983 followed by Portugal in 1986.

of a larger scope so the choice of case studies is limited to two countries. This aspect is discussed further under *limitations*.

H1 was considered first which resulted in the identification of Greece as a country with high alternation and Portugal, in contrast, as a country with low alternation. Portugal only had one alternation in 2011 following a general election (Tremlett, 2011). Greece, however, had several changes in government, thus high alternation of party control of EU funds (four parliamentary elections between 2007 and 2013, with only one resulting in the re-election of a ruling party (Hellenic Parliament, 2018)).

For H2, the choice of cases proved to be more challenging than that for H1. The case selection is not a perfect experiment as, ideally, one would select country A which would have the one left-wing government in power as a majority government for the entire PP without alternation and the same case for country B involving a right-wing government. In order to accommodate H1, alternation must be accepted, and a compromise had to be made to select a country with a *mostly* left-wing government during the PP and compare it to a country with a *mostly* right-wing one. Furthermore, in terms of *allocation* of EU funding, the party in control of agreeing to the official NSRFs (now called *Partnership Agreements*) with the EC before the PP commences has agenda-setting powers bestowed on it that arguably give that party an advantage that may later have a knock-on effect on absorption since allocation itself has an effect on absorption, as highlighted in the literature review under *Allocation and absorption*. One quick way of identifying a national party's position on the political spectrum is to research the European Parliament group it affiliates with. This method led to the selection of Portugal as the mostly left-wing case versus Greece representing the mostly right-wing case. Moreover, as this study also analyses temporal changes over time, the inability to identify a country with a left-wing government in power for the whole PP and vice-versa is corrected to an extent by also considering the immediate effect of government changes on the dependent variable, e.g. looking at how the absorption rate is affected in the couple of years after Portugal's government alternation from left to right.

Table 5.3 below summarises the variables considered for the case selection. The selection of the variables, particularly the control variables, and indicators as well as their sources are forthcoming in the relevant subchapters *Variables and operationalisation* and *Data sources and collection.*

Variable	Case 1: Portugal	Case 2: Greece
Level of absorption (dependent)	*Not considered for case selection*	*Not considered for case selection*
Number of alternations of government (H1: independent)	1	4
Government orientation (H2: independent)	Mostly left and left as agenda setter	Mostly right and right as agenda setter
Affected by 2007 economic crisis (control)	yes	yes
GDP per capita in current USD[4] (control)	$22,583 (‘07-’14 average)	$26,156 (’07-’14 average)
Administrative (executive) capacity[5] (control)	6.09 (rank 31/41 for *Governance* overall)	4.31 (rank 38/41)

Table 5.3. Overview of the variables

5.4 Unit of observation of dependent variable

The units of observation of the dependent variable in this study are the main funds of the CP in Greece and Portugal, those being the ESF, ERDF and CF. The latter two are of particular focus in this thesis due to the ex post reports for each country focussed on the ERDF and CF while excluding the ESF (see *Data sources and collection*); in terms of their percentage of overall CP funding, the ERDF and CF comprise 78.7% and 69.6% of funding in Greece and Portugal respectively (calculation based on the figures displayed in *Table 6.5*). Hagemann (2017), in his study of absorption problems and politicization looks at 17 OPs in CEE countries. These 17 OPs were large infrastructure programmes covering almost half of all funds allocated to CEE countries for the 2007-2013 PP (pp. 2-3). Hagemann justifies the selected OPs comparability due to their similar size (largest OPs in CEE countries), types of projects (primarily big infrastructure), beneficiaries (mostly public), and level of management (all at the central level) (p. 3). Due to the unavailability of absorption rates for particular OPs in Greece and Portugal over the course of the PP under investigation, this study instead looks at absorption by *fund* in the selected countries. The limitations presented by this approach are also dealt with in the relevant section.

5.5 Timeframe

The 2007-2013 PP was selected for this analysis as it is the most recent fully completed PP. The latest period commenced in 2014 and is due to come to an end in 2020 so it is not ripe for analysis. The limited availability of data relating to the 2000-2006 PP also makes it unfit for analysis (not to mention its diminished relevance as it was carried out more than a decade ago). Furthermore, it should be pointed out that the official absorption period did not end in 2013 but actually ended in 2016, overlapping somewhat with the current PP. Due to the N+3 rule, the period for absorption lasted until

[4] (source: The World Bank database)
[5] (SGI, 2014, p. 17)

2016, meaning that most countries had exceptionally high levels of absorption by the end of the PP. This rule was introduced for the 2007-2013 PP to benefit Romania and Bulgaria as well the ten countries that acceded to the Union in 2004 (Cace, Cace, Iova & Victor, 2010, p. 12). This means that the level of absorption achieved by the end of 2013 will be considered for this analysis as it indicates the absorption at the official end of the PP when countries can no longer alter allocations since 2013 is the last year for which specific allocations can be made (p. 12). Hagemann (2017) similarly used absorption levels for 2013 in his study. Moreover, the rates of absorption pick up considerably across the board after 2013 with many countries reaching full or close to full absorption, rendering comparison futile.

5.6 Variables and operationalisation

The dependent variable in this study is absorption of EU funds. As defined earlier, this is based on the transfer of funds from the EC to either the regions or the national governments in the MSs, depending on the type of OP. The independent variable, as discussed in the theoretical framework, is politicization and this will be operationalised in two ways for each hypothesis: firstly, the frequency in alternation of parties which form the national government, and secondly, the extent of the left-wing orientation of the government as opposed to the extent of the right-wing orientation. As mentioned under *Case selection process*, cases were selected solely based on the independent variable as well as the control variables in order to avoid case selection bias. Table 5.3 displays a simplified overview of the variables considered.

The dependent variable, which is the absorption rate of funding, is easily operationalised as it is a data source which is pre-operationalised as the percentage of allocated funding absorbed for the 7-year period per year from 2007 to 2016 for each country.

Based on Hagemann's operationalisation of party alternation, which is established as the alternation of parties in control of ministries managing the OPs that are present in a particular country (p. 9), this study operationalises the term more generally. Here, alternation is established as that of national governments in the state legislature rather than specific ministries in charge of particular OPs. This is because the unit of observation of the dependent variable is the absorption of the *TOTAL* funds which is more general since it is the comparison between two countries rather than OPs independent of country. Low alternation is set as one alternation of government and several changes is considered a high level of alternation. Regarding partisan control, this simply involves the selection of a country with *mostly* left-wing control and one with *mostly* right-wing control during the 7-year time period under consideration. What is meant by "mostly" is elaborated upon further in the *Case selection* *process* as well as the relevant subchapter of the analysis. Furthermore, temporal changes over the 7-year period after government alternations are considered in the analysis.

The control variables considered in this study relate to those which in previous studies on absorption have been found to influence absorption and absorption rates of EU funds in the MSs. These are highlighted in the concluding subchapter of the literature review and are: administrative and government capacity, wealth of a country, and the effect of the economic crisis, given previous studies have highlighted that countries affected by the economic crisis have their absorption capacity hampered.

Firstly, administrative and government capacity is arguably the most important control variable because it is hypothesised that less-than-ideal capacity in addition to political influence delivers certain outcomes in absorption rates. Hagemann (2017) uses the 'Executive Capacity' indicator of the Sustainable Governance Indicators (SGI) of the *Bertelsmann Stiftung* to measure administrative and government capacity indicators as it covers precisely the level of interest in his analysis (central government) (pp. 5-6). The SGI has been published since 2009 (The Brookings Institution, 2009) and takes the form of a ranked rating on a scale of 1 (lowest score) to 10 (highest) (SGI, 2014, p. 22) of 41 OECD countries, which includes all EU countries. On the *Governance Index* – which comprises the indicator on Executive Accountability in combination with the indicator on Executive Capacity – Greece and Portugal are both ranked approximately in the bottom 25%, with scores of 4.91 and 5.71 respectively. Although executive capacity is the focus, the Governance Index, including executive accountability, has them ranked more closely. Executive capacity broken down includes *steering capability, implementation,* and *institutional learning* (SGI, 2014, p.7). Even for the 2017 ranking it is indicated that the severe effect of the financial crisis had a negative effect on Greece's executive capacity, as Greece is said to be "strongly constrained by bailout commitments" (SGI, 2017). A reproduction of the 2014 SGI ranking for Governance is provided below:

Governance

Ranking: SGI 2014	Ranking: Difference to SGI 2011	Ranking: Trend	Executive Capacity	Executive Accountability	Governance	
1	−0.16	↘	8.43	8.41	8.42	Sweden
2	0.24	↗	8.56	8.12	8.34	Finland
3	−0.12	↘	8.09	8.55	8.32	Norway
4	0.04	↗	8.36	8.21	8.28	Denmark
5	−0.12	↘	8.25	6.70	7.47	New Zealand
6	−0.22	↘	7.60	7.19	7.39	United States
7	−0.05	↘	6.85	7.92	7.38	Luxembourg
8	0.14	↗	6.87	7.47	7.17	Germany
9	−0.36	↘	7.16	7.16	7.16	Australia
10	−0.14	↘	7.58	6.52	7.05	Canada
11	−0.07	↘	7.16	6.68	6.92	Switzerland
12	−0.12	↘	7.22	6.61	6.91	United Kingdom
13	0.38	↗	7.19	6.23	6.71	Poland
14	−0.43	↘	6.31	7.09	6.70	Iceland
15	−0.03	↘	6.15	6.99	6.57	Austria
16	−0.23	↘	6.31	6.60	6.46	Netherlands
17	0.04	↗	6.35	6.51	6.43	Ireland
18	–	–	6.42	6.39	6.40	Estonia
19	–	–	6.38	6.38	6.38	Israel
20	0.15	↗	5.67	7.01	6.34	Belgium
21	–	–	7.12	5.51	6.32	Lithuania
22	−0.05	↘	6.30	6.28	6.29	Spain
23	–	–	7.42	5.03	6.22	Latvia
24	−0.05	↘	6.51	5.88	6.20	Chile
25	0.11	↗	6.52	5.77	6.15	Mexico
26	0.12	↗	6.68	5.60	6.14	South Korea
27	−0.10	↘	6.61	5.44	6.02	France
27	−0.09	↘	6.18	5.85	6.02	Japan
29	0.38	↗	5.82	6.08	5.95	Italy
30	−0.26	↘	5.11	6.73	5.92	Czech Republic
31	−0.13	↘	6.09	5.33	5.71	Portugal
32	0.03	↗	6.12	5.24	5.68	Turkey
33	0.41	↗	5.39	5.44	5.41	Slovakia
34	–	–	4.80	5.91	5.36	Malta
35	–	–	4.37	6.25	5.31	Slovenia
36	–	–	4.85	5.33	5.09	Bulgaria
37	−0.39	↘	5.25	4.88	5.07	Hungary
38	0.54	↗	4.31	5.50	4.91	Greece
39	–	–	4.62	5.08	4.85	Croatia
40	–	–	4.43	4.64	4.53	Romania
41	–	–	3.11	4.71	3.91	Cyprus

Figure 5.6.1. 2014 Governance ranking by the Sustainable Governance Indicator (SGI, 2014, p. 17).

Next, the wealth of a country, which is arguably linked somewhat with the control variable for the financial crisis of 2008, is taken into consideration. The most common indicator used to measure the wealth of a country is GDP per capita and the trend of this indicator for the PP is as follows:

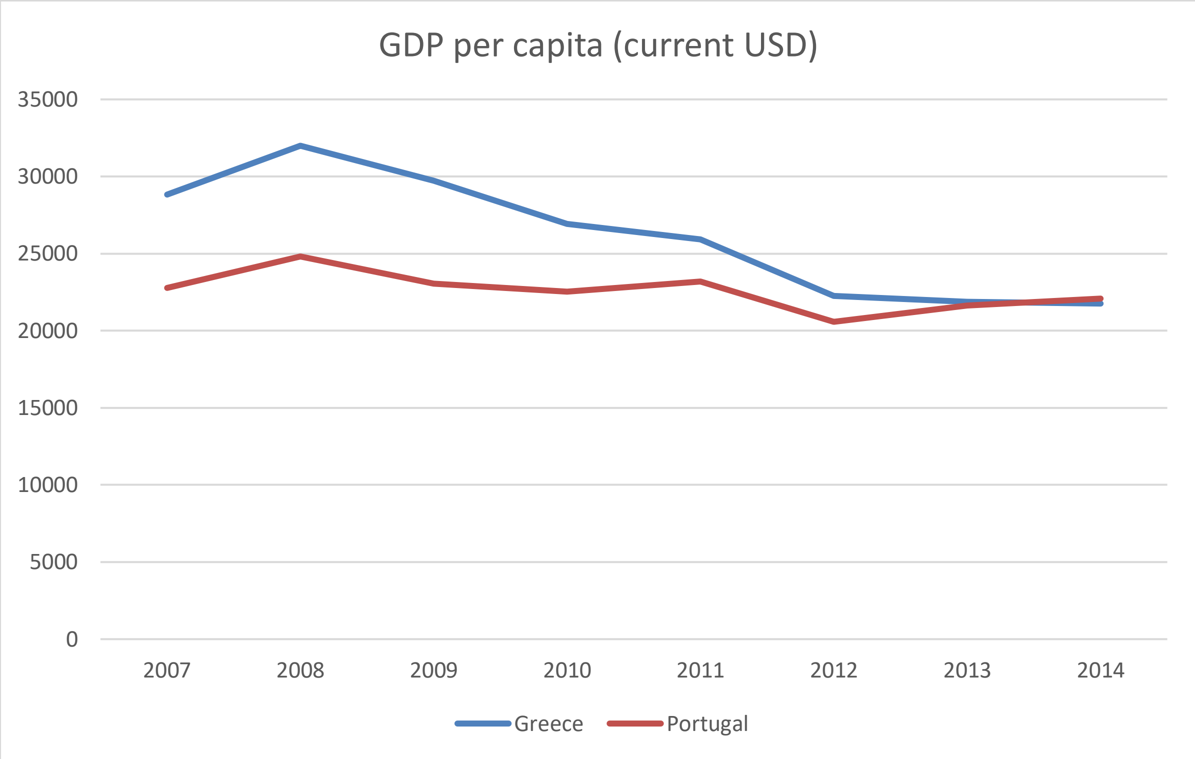

Figure 5.6.2. GDP per capita in Greece and Portugal (source: Generated in Excel using data provided by *The World Bank* database)

Both countries have divergent and rising levels of GDP per capita at the beginning of the period but by the end the levels have more or less converged. The trends are for the most part due to the financial crisis.

The financial crisis of 2008 affected both countries seriously. This is reflected in the acronym PIIGS[6] invented to group together those countries in the EU that were most affected by the recession. The following figure published by *The Economist* in 2011 clearly indicates the extent of the crisis in the EU, particularly in Southern Europe:

[6] PIIGS: Portugal, Ireland, Italy, Greece and Spain.

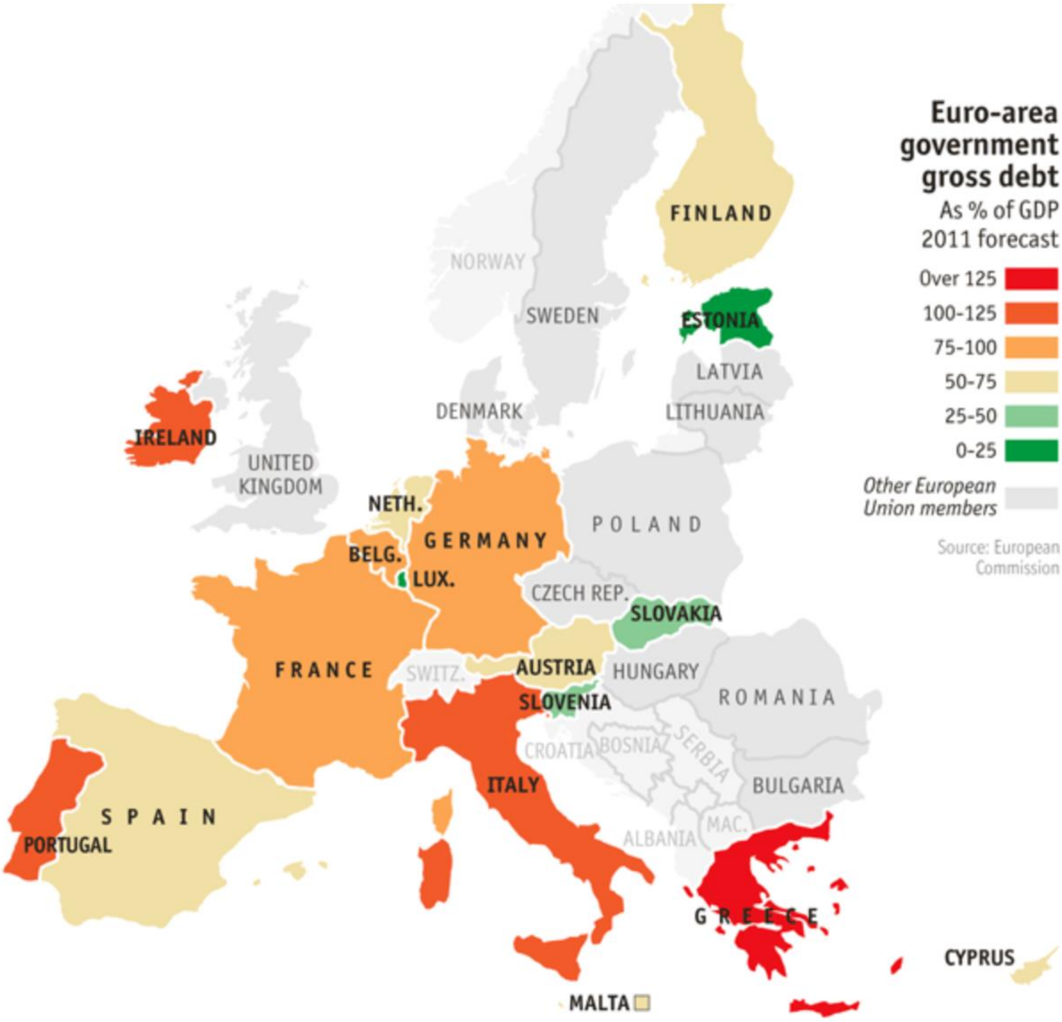

Figure 5.6.3. Eurozone gross government debt as a percentage of GDP (Economist, 2011)

5.7 Data sources and collection

This analysis exclusively uses documentation which is publicly available online as well as online databases open for use by the general public and researchers alike. Data is provided in a form that is suitable for being processed in Microsoft Excel. At least one source of information is required for each variable and this subsection deals with the sources on a variable-by-variable basis.

Starting with the dependent variable of absorption rates for the 2007-2013 PP, this information is made available by the EC at https://cohesiondata.ec.europa.eu/dataset/2007-2013-Funds-Absoption-Rate/kk86-ceun/data. The dataset is called 2007-2013 Funds Absorption Rate and contains data such as absorption rates per country and per year from 2007 to 2016. The funds covered are the ERDF, ESF and CF as well as an option to select TOTAL for the total absorption of all funds combined. The relevant data can be filtered out and exported in Excel format. Using Excel, the data can be arranged appropriately and visualised in the form of charts and graphs, as has been done in this study.

For the independent variables relating to politicization, a few different sources are utilised. The alternation of parties in government between 2007 and 2013 can be ascertained from the information provided online by the European Journal for Political Research's (EJPR) country reports. The EJPR publishes narratives on each country on an annual basis and each year the commentary for the preceding year is published. The years looked at lie in the range of 2007 to 2013, with years when a change in government occurred or with a change in absorption rate being those that are drawn into the main focus of the analysis of qualitative evidence. These yearbook entries provide the context for occurrences on a socio-political level and focus in particular on elections and changes in heads of ministries, which is of particular value in this thesis. Furthermore, the respective government websites are consulted in those cases where supplementary information is required, as well as news articles from reputable news outlets.

After the EJPR country reports, the next most important documentation used is provided by the EC. These are ex post evaluations for some of the structural funding programmes for the PP of 2007-2013, which focus on individual countries in specific "country reports" (*designated as Work Package 1 (WP1)*) (European Commission, 2018e). The objective of these ex post evaluations is outlined in their preliminary note as follows:

> *"The purpose of the country reports is to provide for each Member State a short guide to the findings of the ex post evaluation of Cohesion policy programmes 2007-2013 undertaken by DG Regional and Urban Policy and an overview of the context in which the programmes were carried out."* (Applica, Ismeri Europa and Cambridge Economic Associates, 2016a)

These *country reports* focus on the context in which the programmes were implemented and highlight changes that occurred during the period, notably the reallocation of funding which may provide clues of political motives, as well as problems faced with particular regard to absorption of funding from the ERDF and CF, notably the financial crisis. These clues, where identified, are interpreted in light of theory. Lastly, these reports also serve as a point of departure for identifying other qualitative evidence.

The influence of administrative or government capacity, measured by the indicator 'executive capacity' by the Sustainable Governance Indicators, is made available online by the *Bertelsmann Stiftung*. The indicators for 2014 are used as they were also used by Hagemann (2017) and, although earlier figures would be of use, the earliest year of the ranking, 2009, is not accessible online free of charge.

The World Bank database (available at https://data.worldbank.org) also provides extensive data on a number of relevant indicators, such as GDP per capita (in current USD). This data can be easily visualised in various forms of graphs and charts on the website and has aided case selection regarding the identification of countries with similar economic statuses, taking the control variable of wealth into account. As the financial crisis was highly publicised, mainstream news reports are likewise used for supplemental information in relation to this.

The financial crisis is controlled for using various literature related to the countries most severely affected by the financial crisis of 2008. This crisis affected countries denoted by the acronym PIIGS and was highly publicised in the years following its outbreak.

6 Analysis

Firstly, this chapter begins with a description of absorption rates and trends in order to contextualise the dependent variable, based on the graphs for the period 2007 to 2016; the absorption rates considered are the *total* absorption for the defined period and three years beyond in Portugal and Greece as well as in the EU28 and, in part, the EU15 (those being countries already in the EU prior to the 2004 accession round). Furthermore, the absorption rates in the two countries for two individual funds, the ERDF and CF, are considered separately from the total for comparative purposes, mainly due to the fact that some of the documentation analysed is a 2016 EC-sponsored evaluation of the ERDF and CF together. Thereafter, we look at the independent variables, i.e. national government alternation in both countries and the overall ideological orientation during the PP, again for contextualisation purposes as is the case for the dependent variable.

Once the dependent and independent variables are outlined, the interaction between the two, which forms the main part of the analysis, is carried out to show that there is no temporal correlation between the dependent and independent variables, strongly suggesting that the previously described mechanisms behind the hypotheses do not hold. Following on from this, the analysis highlights potential evidence or clues related to politicization, based mainly on the *Ex post evaluation(s) of Cohesion Policy programmes 2007-2013, focusing on the European Regional Development Fund (ERDF) and the Cohesion Fund (CF)* prepared by the DG for Regional and Urban Policy (henceforth referred to as the *country reports*). Ultimately, this part of the analysis shows how evidence for the existence of politicization – to the extent that absorption is affected – is lacking, and that overall absorption rates can be correlated with the financial crisis and measures brought about through external influence, mainly the EC, to boost absorption. Lastly, the hypotheses are explicitly tested, and it is concluded that politicization is not found to influence absorption rates in Greece and Portugal.

6.1 Dependent variable: Visualisation and discussion of absorption trends

The EC released a dataset entitled *SF 2007-2013 Funds Absorption Rate*[7] in a section of its website dedicated to ESIF which provides valuable absorption data that can be filtered and arranged, among other factors, by MS, year, and fund. The absorption rate is provided for the three funds (ESF, ERDF and CF) as well as an accumulation of these funds under the heading *TOTAL*. This data was downloaded and visualised using Excel to prepare it for interpretation. Firstly, the total absorption from the fund *TOTAL* is dealt with in relation to the EU28 and EU15, then for Greece and Portugal compared to the

[7] Retrieved from https://cohesiondata.ec.europa.eu/dataset/funds-absorption-rate-2007-2013/9i7v-7s8z

EU28, and finally by the separate absorption rates for the ERDF and CF for the two countries, as these two funds are subject to particular focus in the respective *country reports*.

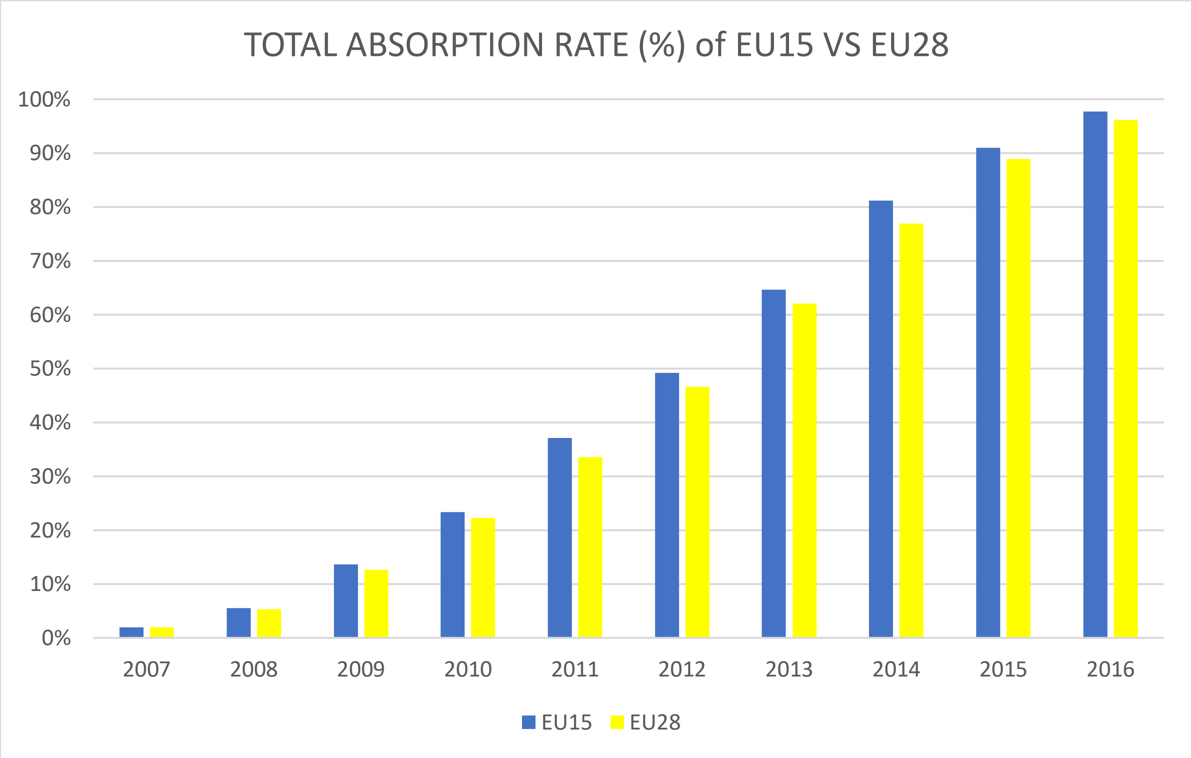

Figure 6.1. Total absorption comparison of 'old' MS-average (EU15) against EU28-average (Source: Own generation based on data provided by the EC[8]).

Figure 6.1 shows that, on average, all 28 MSs absorb funding at a relatively steady pace over the years apart from a slower rate of absorption at the beginning of the PP and a more accelerated absorption rate towards the end of the PP. This is due to the increased urgency towards the end of the PP to make use of the funds before they are *decommitted* (European Commission, 2018f). Furthermore, at the beginning of a new period there is an absorption overlap with a previous PP, so this could in part explain the slower start[9]. The absorption rate of the EU15 follows a similar pattern to that of the EU28; apart from the first year of spending, the EU15 has a somewhat higher rate of absorption year-on-year when compared to the EU28, which shows that the old MSs are somewhat better at absorbing funding than is the case when new MSs are factored in. The EU15 ends up with a marginally better rate of absorption both at the end of 2013 and 2016.

[8] All graphs in this chapter generated using data retrieved from https://cohesiondata.ec.europa.eu/dataset/funds-absorption-rate-2007-2013/9i7v-7s8z

[9] For example, in Germany a mid-term evaluation of the 2007-2013 PP found that programme implementation was delayed because priority was given to spending 2000-2006 funds during the overlap of PPs (Balsiger, 2016, p. 281).

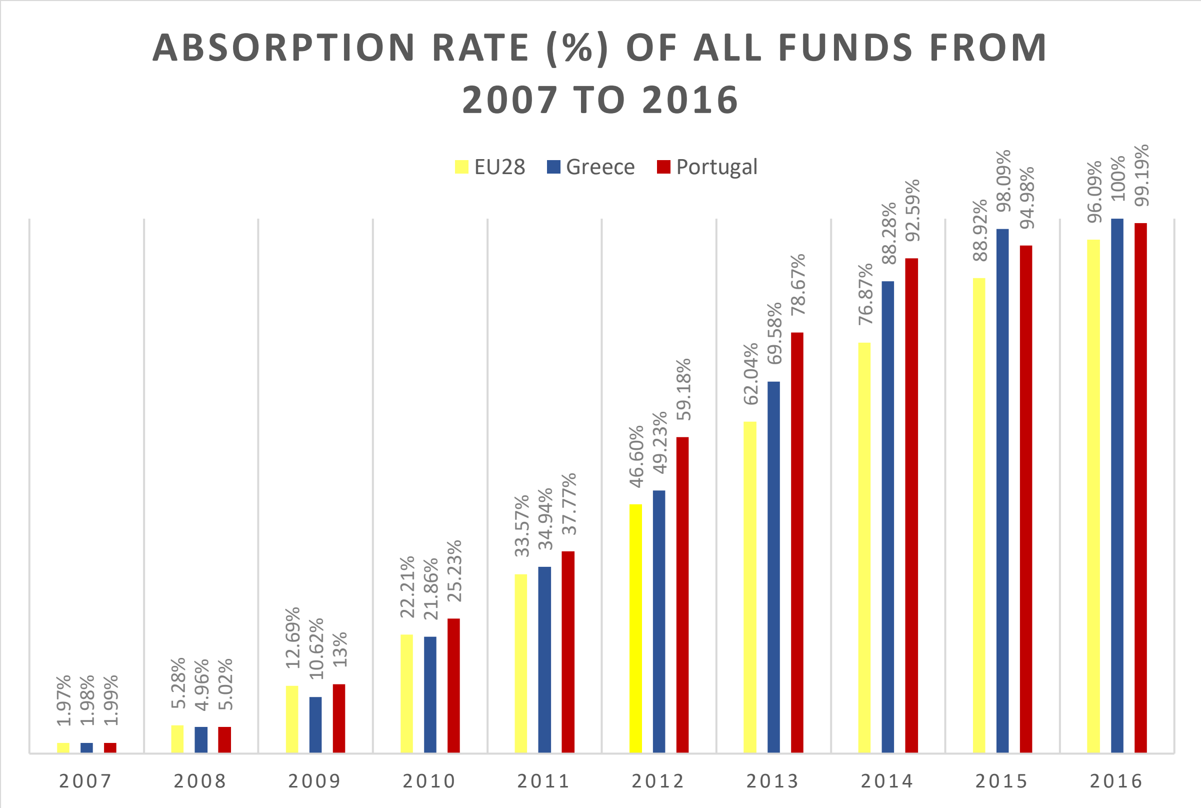

Figure 6.2. Total absorption rate for Greece and Portugal alongside the EU28 average (Source: Own generation based on data provided by the EC).

In the first two years of the PP, both countries had a similar level of absorption to each other and to the EU28 average. As of 2009, Portugal first records a level of absorption noticeably above that of Greece (13% versus 10.62%). This trend of Portugal having an absorption rate a few percentage points above that of Greece continues through 2010 and 2011. In 2012, a relatively stark discrepancy between both countries' absorption rates is recorded: Portugal's absorption rate is almost 10 percentage points above that of Greece. In 2013, this discrepancy tightens a small bit to 9 points. In 2014 Greece's absorption rate catches up considerably with that of Portugal, showing a discrepancy of less than 5 percentage points. In 2015, Greece surpasses Portugal for the first time recording an absorption rate of approximately 98% versus Portugal's 95%. In 2016, the final year that absorption of EU funding is possible for the 2007-2013 period, Greece manages to absorb all of its allocated funding. Portugal absorbs in excess of 99% of its allocated funding and both countries are above the EU28 average of 96%.

In order to highlight the differences between funds and countries, the absorption trends for the ERDF and CF funds are included below to supplement the analysis and to ascertain what differences exist between two of the main funds. The reason why these two funds are considered together is because the ex-post country evaluations (subject to later analysis) focus on them together and due to the then-new rule for the 2007-2013 period which states that one programme should be linked to one fund, with the one exception being that the CF and ERDF can jointly fund infrastructure and environment programmes (European Commission, 2018f).

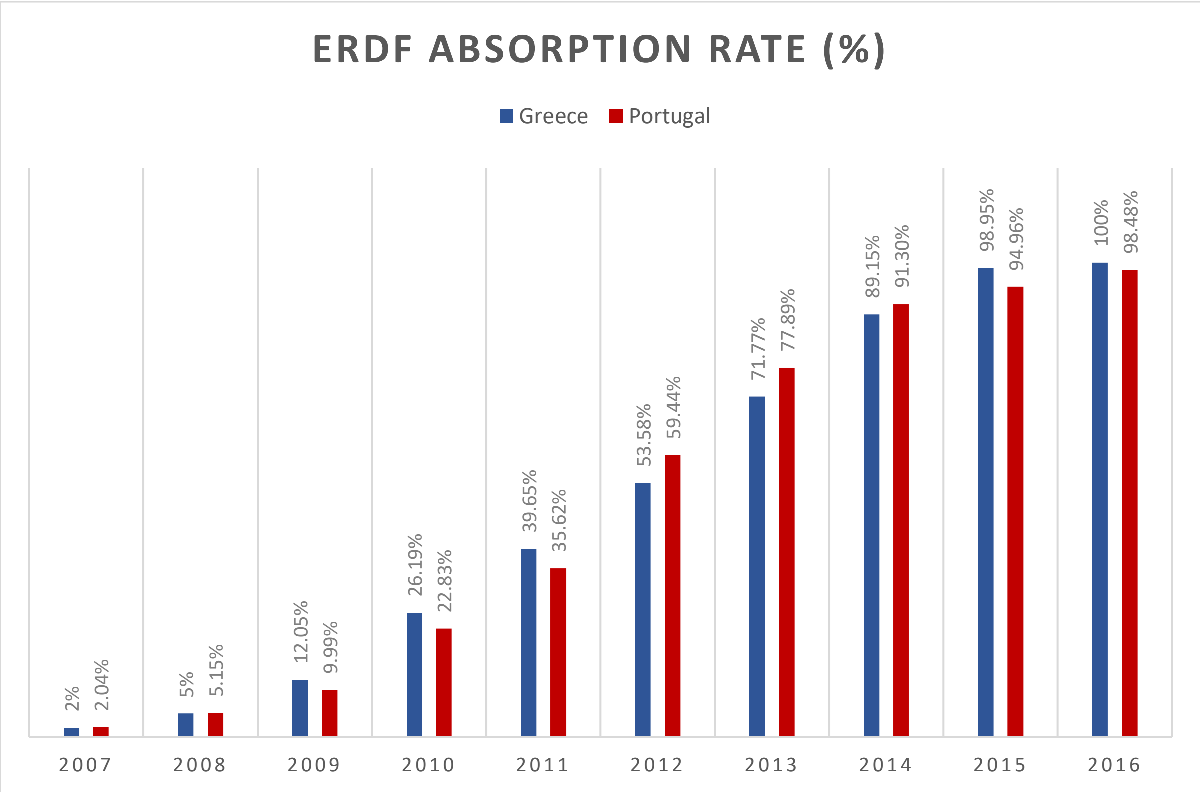

Figure 6.3. Comparison of the ERDF absorption rate between Greece and Portugal (Source: Own generation based on data provided by the EC).

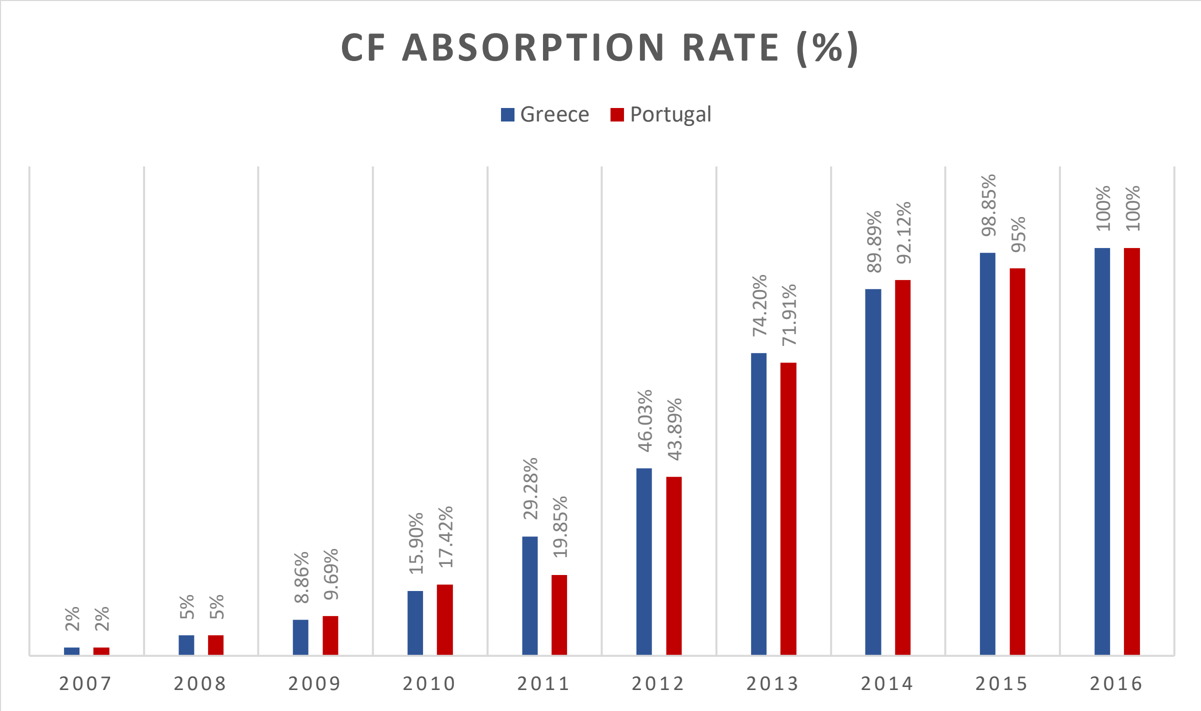

Figure 6.4. Comparison of the CF absorption rate between Greece and Portugal (Source: Own generation based on data provided by the EC)

As previously explained, the CF is only available to a limited number of countries, two of which being Greece and Portugal. Regarding the ERDF, between 2011 and 2012 Portugal overtakes Greece in its absorption and Greece only surpasses Portugal again in 2015. With the CF, Portugal maintains a higher absorption rate than Greece until 2011 when the discrepancy between the two countries is at its largest, namely by almost 10 percentage points. In 2014 Portugal surpasses Greece once more. When comparing these trends between the two funds, the pattern seems to be that one is the inverse of the other. Until 2012, absorption is higher for the ERDF than the CF in both countries but by 2013 they begin to become comparable until the last year of absorption.

6.2 Independent variables: Government alternation and orientation

This subchapter delves into the independent variables related to politicization in this study to prepare them for subsequent comparison with the dependent variable and the testing of hypotheses.

6.2.1 Greece

Greece, compared to Portugal, shows a high degree of government instability throughout the 2007 to 2013 PP. Greece, at the start of 2007, is governed by the centre-right New Democracy, which is re-elected in the 2007 general election to serve another two years. In 2009 after another general election, the country is governed by centre-left PASOK for two years before the debt crisis leads to a national unity government between left and right for 6 months, a caretaker government for 1 month and then finally a coalition government composed of mainly centre-right New Democracy cabinet members with minority support from two centre-left parties.

Relating to H1, the government alternates four times during this period and three times if you choose not to count the one-month caretaker government. As can be calculated from *Table 6.2.1* below, the centre-right governed the country for 2 years and 8 months, followed by 2 years of centre-left rule, then a 6-month left-right unity government, 1-month caretaker and 1.5-year centre-right dominated coalition government. Greece's first legislative election occurs earlier on in the PP and were re-elected and given a majority of seats in the parliament, though somewhat reduced compared to the preceding New Democracy government (Mavrogordatos, 2008, p. 995). If one disregards the short-lived caretaker government and classifies the Samaras government as centre-right, given that its centre-left minority coalition partners did not choose to participate fully in the government[10], then one can claim that the centre-right governed for approximately 4 years and 2 months during the 7-year period, whereas the centre-left governed for 2 years. The national unity government, which covered 6 months, may be counted as a neutral period. It is also worth noting that Greece had the right-wing New Democracy in power prior to the commencement of the PP as is shown in *Table 6.2.1*.

In summary, the alternation in government in Greece for the period 2007 to 2013 is either three or four depending on whether one counts the brief caretaker period, making it a suitable case study for H1 as it represents high alternation in government control. The 4 year and 2-month period of rule by the centre-right versus the 2-year government by the centre-left means that the 7-year period was mostly governed by the centre-right, likewise making it a suitable case study to test H2 as it represents a case in which mostly right-wing control was present. An overview of the governments, their orientation and duration can be found in *Table 6.2.1* below:

[10] The socialist PASOK and Democratic Left parties had two party officials in the cabinet, but barred their MPs from taking part (Lowen, 2012).

Lifetime	Prime Minister	Parties	Details	Duration (approximate)
Mar. 2004	**Karamanlis**, Konstantinos	New Democracy (EPP)	First term covers pre-PP (centre-right)	
(re-elected Sep. 2007)				
	Karamanlis, Konstantinos	New Democracy (EPP)	Re-elected (centre-right)	
to Oct. 2009				2 years, 8 months *(+2 years, 10 months prior to 2007)*
Oct. 2009	**Papandreou**, Giorgos	PASOK (S&D)	Social-democratic (centre-left)	
to Nov. 2011				2 years
Nov. 2011	**Papademos**, Lucas (Independent)	PASOK-New Democracy-LAOS (right-wing populist)	National Unity Government (centre-left/centre-right)	
to May 2012				6 months
May 2012	**Pikrammenos**, Panagiotis (Independent)		Caretaker	
to Jun. 2012				1 month
Jun. 2012	**Samaras**, Antonis (New Democracy)	New Democracy (+PASOK +DIMAR)	Coalition (centre-right + centre-left minority support)	
Jan. 2015				1 year, 6 months (*until end of 2013*)

Table 6.2.1. The history of national governing parties in Greece between 2004 and 2015 (Source: Own compilation of data provided by the EJPR).

6.2.2 Portugal

Portugal, in terms of the alternation in national government between parties, experiences relative stability during the 7-year PP. The centre-left Socialist party forms the government outright or is supported by left-leaning independents for the first 4.5 years of the PP. The only real alternation is brought about by the 2011 general election which leads to a switch in government orientation from centre-left to centre-right under the Social Democratic Party (a member of the EPP, in spite of its name). Therefore, Portugal makes a good case for testing H1 as it represents a country in which there was a low level of alternation, namely once in 2011. In terms of H2, Portugal also represents a relatively good case to use as, throughout the chosen PP, the country is governed for 4.5 years by a centre-left party, therefore meeting the condition of a *mostly left-wing* government being in power. *Table 6.2.2* below shows the relative stability in the Portuguese legislature during the 7-year PP.

As in Greece, Portugal's first legislative election results in the remaining in power of the incumbent party, though with a reduced proportion of seats meaning that the government as of 2009 is a socialist minority government that continues under the premiership of Socrates. Socrates II comprised nine ministers that were carried over from the preceding legislative period and eight new ones were appointed (Magone, 2010, p.1137). Those that were appointed as ministers were independent politicians who were already aligned with the socialist government (p. 1133), so Socrates II can be classified as a left-wing government and therefore it does not qualify as an alternation.

A particular occurrence discussed in the *2010 Political Data Yearbook* pertaining to the legislative election of 2009 in Portugal highlights the political nature of EU funding, and by extension, the parties' desire to control how money is spent even if the PP is already underway. This also underlines the value that the 'agenda-setter' has in terms of allocation of funding before the PP commences, which in the case of Portugal is the Socialist Party. In a television debate with Prime Minister Socrates in mid-September 2009, the EPP-affiliated Social Democratic Party leader, Manuela Ferreira Leite, declared herself against the proposed high-speed train between Lisbon and Madrid being funded with EU SF as she considered this an attempt on the part of the Spaniards to turn Portugal into a 'Spanish province' (Magone, 2010, p. 1136). She alleged that Prime Minister Socrates was only doing a favour for the Spaniards, who were quite eager to proceed with the project, but Socrates defended the high-speed rail link as a positive project for the Portuguese economy (p. 1136). This demonstrates quite clearly how the spending of EU funding under a certain government can come under particular scrutiny during an election campaign.

Lifetime	Prime Minister	Parties	Details	Duration (approximate)
Mar. 2005	**Socrates**, José	Socialist (S&D)	Centre-left	
(re-elected Sep. 2009)				2 years, 9 months *(+1 year, 9 months prior to 2007)*
	Socrates, José	Socialist-led with support of left-leaning independents	(Socrates II)	
to Jun. 2011				1 year, 9 months *(+2 years, 9 months of first term = 4.5 years of PP)*
Jun. 2011	**Passos Coelho**, Pedro	Social Democratic (EPP)	Centre-right	
to Oct. 2015				2 years, 6 months (*until end of 2013*)

Table 6.2.2. The history of national governing parties in Portugal between 2005 and 2015 (Source: Own compilation of data provided by the EJPR).

6.3 Interaction between dependent and independent variables: Temporal changes

This subchapter demonstrates that when alternations in both countries are compared to absorption rates in the couple of years following national government alternations, absorption is not affected as is expected based on the hypotheses, i.e. there is no evidence of disruption of spending programmes. Counterintuitively, however, absorption actually increases in instances where one may expect, based on the theory, for it to falter. The subchapter subsequent to this one attempts to find reasons for the increase in absorption insofar as it relates to politicization despite the expectations being shown not to be met in this current subchapter with regard to temporal changes.

6.3.1 Greece: First alternation

The first alternation in Greek government came in 2009 following the parliamentary election of October 4 (Mavrogordatos & Marantzidis, 2010, p. 997): This resulted in a major change in government as New Democracy, which had been in government since 2004, was replaced by PASOK. This was a clear alternation from a centre-right government to a centre-left one as PASOK gained a majority of seats (Brabant, 2009). As such, all the heads of ministries changed. These ministries are in control of the different national-level OPs (NOPs) and significantly, the Greek authority with overall responsibility for CP 2007-2013 (European Commission, 2008, p. 32) was split into two: The Ministry of Economy split from Finance and merged with the former ministries of Development and of Marine and Island Policy (Mavrogordatos & Marantzidis, 2010, p. 995). This would imply that if assumptions are correct about political stability, this would lead to an interruption of absorption rates after the government change. In 2009, Greece's absorption of total funds was below the EU28 average (10.62% versus 12.68%). However, the absorption for the year following the election (2010) narrows the gap slightly between the EU28 average and Greece (21.86% versus 22.21%). In 2011 Greece's total absorption surpasses the EU28 average for the first time (34.94% versus 33.57%).

This suggests that politicization, if present, did not negatively impact absorption rates at this point in time. However, in terms of partisan theory, one might argue that the increase in spending could have been due to the new left-wing ideology of the Greek government. However, qualitative evidence indicates that the promise to fight austerity by the new left-wing government was not authentic, given that Mavrogordatos & Marantzidis (2010) highlight that, in spite of knowing about it all along, PASOK "immediately accused its predecessor of concealing a desperate economic situation and revealed a public deficit estimated at a staggering 12.7 per cent of GDP" (p. 1000). Mavrogordatos and Mylonas (2011) state that after "wasting more than six months in half measures, false estimates and other lies", PASOK under Papandreou finally requested a 'support package' from the EU and the IMF (p. 986). This indicates that a planned increase in spending seems unlikely given the country's economic situation at the time in addition to the fact that the election that led to PASOK's victory was a snap election called by Karamanlis of New Democracy to ensure the shortest possible electoral campaign by pre-empting the further erosion of electoral support for his government (Mavrogordatos & Marantzidis, 2010, p. 997).

6.3.2 Greece: Second alternation

The next alternation occurred in 2011 and, when compared to the EU28 average, the absorption rate in Greece only improves in the following years. In 2012 Greece's absorption rate is found to be 49.23% in relation to the EU28 average of 46.60%. This disparity only widens the following year with absorption being 69.58% compared to the EU28 average of 62.04%. This is further evidence to suggest that politicization with a negative effect on the bureaucracy is not occurring. This particular alternation in government can be seen as a partial alternation as it is a coalition government comprising PASOK, ND and LAOS (which in the past had been shunned as an extremist party) (Mavrogordatos & Mylonas, 2012, p. 127) under the premiership of economist and independent Papademos. The new government was formed to resolve a political crisis following the stepping down of Prime Minister Papandreou and intended to be a temporary measure only to last a few months (p. 127).

6.3.3 Greece: Third and fourth alternations

In 2012 Greece experienced two parliamentary elections on 6 May and 17 June (Mylonas, 2013, p. 89). The third alternation came in the form of a caretaker government which was put into place under Pikrammenos, then-President of the Council of State (Mylonas, 2013, p. 92), to carry the country over to another election a month after the preceding one after a two-week period where political leaders were unable to form a coalition government (p. 92). From 21 June 2012 onwards, a new government was sworn in comprising pro-Memorandum forces of centre-left and centre-right, referred to by detractors as the 'internal troika' (p. 92). In this last government of the PP, New Democracy dominated the 39-member cabinet by occupying 30 of the portfolios (p. 92). In spite of the particular instability of the year 2012, absorption for the following year jumps considerably from 49.23% (versus the EU28-average of 46.60%) to 69.58% (versus EU28-average of 62.04%). Not only does this improvement in absorption after a government alternation contradict the expectation of H1, it also occurred under a right-wing dominated government which undermines the assumption on which H2 is based.

6.3.4 Portugal: Main alternation

The only significant alternation in the Portuguese national government was the result of a general election in June 2011. This was a clear switch from left-wing to right-wing. The markets forced Portugal to take a bail out during this year. A Memorandum of Understanding was negotiated which intended to reduce public expenditure considerably; the Memorandum that was agreed and signed on 3 May

2011 was supported by the ruling minority Socialist government and the two centre-right political parties PSD and CDS-PP (Magone, 2012, p. 263). After the election, a centre-right coalition was formed which agreed with the austerity measures required by the Troika (p. 263). When absorption rates are considered in the years following the election, they remain well above the EU28 average and continue to rise at an even higher pace than before, even in spite of austerity measures: In 2011, the rate was 37.77% compared to the EU28 average of 33.57%. A year later the discrepancy between the two increases (59.18% versus 46.60%) which is 4-point lead widening to one in excess of 12 points. In 2013 the lead increases even further to 16 points. This pattern demonstrates that, contrary to expectation, the absorption performance not only improves after a change in government, but furthermore improves in spite of a right-wing government that firmly supports austerity measures; this shows that in Portugal at this time, evidence of politicization as defined by both hypotheses does not exist as both expectations are shown not to be met.

In contrast to Greece, Portugal manages its OPs in a manner that is referred to as quite complicated, as explained by a publication by the EC entitled *Results of the negotiations of Cohesion Policy strategies and programmes 2007–13* (European Commission, n.d.). In a section dedicated to 'good governance, ownership and institutional capacities', it is revealed that Portugal's system for the management of structural funds for the PP in question is a "rather complex administrative structure". This is due to the fact that the consultation process for preparation of the 2007–13 period involved the Parliament, the association for municipalities and the Portuguese Economic and Social Council, which includes socio-economic partners, entrepreneurial associations, as well as associations dealing with consumer, gender and environmental issues. This would suggest that Portugal's system of management is less affected by party politics than Greece's where national ministries are in charge of OPs; however, it is made clear that this design related to multi-level governance did not work as intended, as a report prepared by the Portuguese Economic and Social Council "considered the involvement of social partners and civil society in the NSRF and OP preparations as low". Therefore, the role of politicization cannot be ruled out and the following subchapter delves further into qualitative evidence in search of evidence of politicization in spite of the evidence from this section showing that temporal changes did not have the expected effect on absorption rates.

6.4 Potential evidence for politicization in the country reports

Despite the comparison above of government alternations with absorption rates showing no correlation, further evidence is required to rule out the effect of politicization on absorption. Although the effect of this crisis on absorption of EU funding has been identified in the cases of both Portugal and Greece in specific research and EC-sponsored evaluations, each entitled '*Ex post evaluation of Cohesion Policy programmes 2007-2013, focusing on the European Regional Development Fund (ERDF)* *and the Cohesion Fund (CF),*' these evaluations also contain certain hints of potential attempts to politicize the administration which will be discussed in this subchapter. These hints are related to reallocation of funding during the PP, as well as changes in staff and how these factors cannot be related to an increase or decrease in absorption; this analysis demonstrates that there is insufficient evidence to conclude that politicization had a discernible effect on absorption.

6.4.1 Greece

In relation to absorption, the relevant *country report* states that Greece was able to increase its absorption of EU funding significantly from 2012 onwards due to the considerable reduction in national co-financing (Applica, Ismeri Europa & Cambridge Economic Associates, 2016b, p. 14) (discussed in a later sub-chapter). This reason was cited in combination with funding shifts between policy areas; the report also states that considerable shifts of funding were made over the PP, both within and across policy areas (p. 13). Unlike with the Portuguese *country report*, the Greek report does not mention the years in which these allocation shifts predominantly took place, so no connections can be drawn between when shifts of funding occurred and when governments alternated.

The most important aspect of reallocation is within transport: Funds were moved from rail and other transport to roads and from the environment to enterprise support "in order to help firms cope with the credit crunch" (p. 9). On closer inspection, support for investment in roads remained the major item, cited as increasing by about 25% over the period, mostly resulting in the reduction of investment in rail and 'other transport' (p. 13). One might classify this reallocation as right-wing-inspired due to the apparent reduction in focus on environmental issues, often associated with the left wing; Neumayer (2004) hypothesises that ecological economics is more likely to be supported by left-wing parties and individuals (p. 167). He believes, based on the evidence, that it is plausible to assume that those who identify themselves as left-wing share a scepticism towards unregulated markets and that such left-wing political orientation is related to a greater willingness of parties to embrace pro-environmental issues (p. 174). However, determining when this reallocation occurred is crucial to make such assumptions. The increase for roads is cited as mainly being a result of the transfer into the programme of projects not completed in the 2000-2006 period (Applica, Ismeri Europa & Cambridge Economic Associates, 2016b, p. 13). The only indication of when this change occurred which led to accelerated road construction is the approval of law n.4072/2012, which facilitates expropriations and reimbursement of payments in infrastructure projects (p. 13). This law was enacted on April 11, 2012 (WIPO, 2012) which means it occurred during the Papademos government, a national unity government. As such, this law that is cited by the *country report* to facilitate the building of roads cannot be clearly attributed to either left or right as the government at the time was a coalition comprising centre-right, centre-left and right-wing populist. However, the jump in absorption from 2012 to 2013 is noticeable, therefore this action is of significance despite not being clearly related to left-wing or right-wing preferences.

Further evidence of potential politicization can be interpreted from frequent changes of staff in relation to management of funding. The Greek *country report* makes one mention of staff regarding financial management, which is said to have "suffered from a shortage of human resources and a lack of training" (Applica, Ismeri Europa & Cambridge Economic Associates, 2016b, p. 15). This is elaborated on and it is said that managing authorities at local and regional level "lacked sufficient experienced staff, since many officials opted for early retirement" (p. 15). The result of this is stated as the overreliance on consultants, which put a strain on the budget and worked against the competence of internal staff from being improved in respect of CP management and evaluation (p. 15). Hagemann points out that politicization can involve parties trying to achieve fundamental changes through exchanging managing staff in the EU funds units in order to fully control the implementation process (2017, p. 7). However, the *country report* cites 'early retirement' as grounds for lacking enough experienced staff and does not provide any details as to when these staffing difficulties arose nor its effect on absorption specifically. Regardless of the disruptive effects of staff changes, absorption from 2011 onwards is above the EU28 average.

The *country report* on Greece also includes a section referring to the "Delivery System (WP12)", which is of interest with regard to the independent variable of politicization as it delves more into depth in the implementation of the CP. Its aim is "*to identify the main success factors that support the accountable implementation of a policy that is legal and regular, which delivers results in a timely and responsive manner at reasonable costs to national administrations and beneficiaries*" (KPMG & Prognos, 2016, p. 13). However, this section is not included in the Portuguese counterpart and this is due to the fact that only eight MSs were subject to this case study, among them Greece (p. 13). Essentially, the original *Delivery System* document relates to administrative capacity and in the Greek *country report* it is summed up that *"with regard to programming, political interference was identified as a key weakness, with ERDF and Cohesion projects being less vulnerable than ESF ones due to their longer maturity periods that surpassed the lifetime of governments"* (Applica, Ismeri Europa & Cambridge Economic Associates, 2016b, p. 15). The remainder of this subsection does not elaborate on what it means by "political interference" but this is the one explicit indication that politicization of the bureaucracy was present to some extent in spite of high absorption. The original WP12 document, however, identifies one factor in particular that stands out in the case of Greece and accounts for Greece's high absorption: In the EU27, 11 countries *over-committed* funding, which is permitted, to ensure its absorption with Greece doing so at a rate of 152% at the end of 2013 to guard against decommitment (KPMG & Prognos, 2016, p. 56). This was much higher than the next country, Cyprus, that also overcommitted but at 118% (p. 56) and this shows that Greece did not expect many of its projects to be undertaken in practice and that it was very preoccupied with ensuring absorption for absorption's sake.

6.4.2 Portugal

In the case of Portugal, as with Greece, reallocation of funding also took place during the 2007-2013 PP. It is indicated that there were considerable shifts of funding between policy areas, *partly* due to the crisis (Applica, Ismeri Europa & Cambridge Economic Associates, 2016a, p. 9). This begs the question as to what the rationale was for reallocation in addition to the financial crisis. A summary indicates that funding was shifted from transport (railways particularly) and environmental infrastructure to social infrastructure (in education, in particular), innovation and RTD (research and technological development) and urban development (p. 9). Of course, taking the timing of these reallocation actions into consideration is important to establish the effect and make potential connections with politicization. Unlike with the Greek *country report*, the Portuguese *country report* explicitly mentions when reallocation took place and its connection with absorption.

Focussing on the section of text related to absorption of funding yields a reference to the actions undertaken to speed up absorption during the period involving *reprogramming* in the years 2011, 2012 and 2013. Referring to Table *6.2.2*, we can see that these years, in addition to being in the second half of the PP, coincide with the governing period under the EPP-affiliated Social Democratic Party. As has been looked at previously, absorption in the couple of years after the entering into government of the EPP-affiliated party rises considerably, contradicting the mechanism underlying H1 which anticipates absorption difficulties. Nevertheless, shifts in funding may be attributed to the political orientation of the new ruling party; however, this would also contradict the mechanism underlying H2 which assumes that a right-wing government would spend less. Though, if indeed present, politicization may still have an effect even if it is not as predicted, i.e. that it actually leads to better absorption under a right-wing government, contradicting the prediction. Considering how funding was shifted can be interpreted as clues related to politicization of the bureaucracy, indirectly suggesting that this factor may have played some sort of a role. For instance, the evaluation mentioned that "*additional funding […] was allocated to financial instruments – loan guarantees and venture capital funds – to provide support to SMEs in order to help them survive the crisis"* (p. 13). This move, which may stem from political ideology (i.e. the support for business under a right-wing government), seems more likely to have been a pragmatic move in order to deal with the financial crisis, even if the financial crisis was utilised as a justification to shift funding in line with political preferences. However, to draw such a conclusion would be pure speculation without more concrete evidence.

6.5 Main influencer of absorption trends

In light of the inability to correlate the temporal changes with expected changes in absorption rates as well as the lack of sufficient evidence to demonstrate that politicization did have an effect on absorption, this subchapter looks at the actual causes for absorption trends throughout the PP. The financial crisis of 2008 has been found to have had an effect on EU fund absorption during the 2007-2013 PP and had therefore been included as a control variable, as outlined in the research design. The 2008 crisis affected Greece and Portugal in the years following its outbreak, with both countries being included as part of the unflattering acronym PIIGS to collectively describe the peripheral EU countries most severely affected by the eurozone crisis as they all "experienced severe economic downturns, budgetary and debt crises, and interventions by international institutions" (Brazys & Hardiman, 2015, p. 23). However, despite controlling for this variable, its effects can be clearly attributed to actions taken that influenced absorption in both countries.

The *European Policies Research Centre* in a review of programme implementation entitled *Managing the 2007-13 Programmes towards Full Absorption and Closure* (Michie & Granqvist, 2013) lists the economic crisis as having an effect on absorption as one of its main findings. The logic of this mechanism, as explained in the theoretical framework, is that a shortage of public funding, due to austerity, leads to less public co-funding of programmes, which in turn leads to a lower absorption of funds as the necessary threshold in public spending in order to receive EU funding is not reached. Michie and Granqvist identify this absorption problem as follows:

> *"The **economic crisis has had an important impact**, including public sector budget restrictions and corresponding problems to ensure co-financing at national and/or regional levels, slow progress of some priorities due to a decreased demand and fluctuations in exchange rates. **Internal factors** such as a lack of human resources have also slowed progress in some cases."* (usage of bold typeface made by the original authors) (p. iii)

The crisis thus had an effect on the *principle of additionality*, whose enforcement was eased in both countries as indicated by the respective ex post evaluations of CP programmes, which will be addressed for each country individually in the following subsections. The official rationale for easing the pressure on MSs to co-finance, as expressed by the EC in a 2016 press release on a new Commission proposal on co-financing, is the following:

> *"The financial and economic crisis had a profound impact on national and regional budgets in many Member States, limiting funding for all types of investment. As a result, the importance of the [ESIF] in public investment in the EU has significantly*

increased, in order to support growth and job creation, especially in those Member States most affected by budgetary difficulties." (European Commission, 2016b)

This acknowledges that in times of reduced liquidity, the principle of additionality hampers countries from utilising funds for their very purpose of reducing economic disparities between regions and countries, and therefore the rules must be eased with due regard for each country's individual economic situation in order for CP to have the desired effect. The existence of this lenience in the 2007-2013 PP means that the mechanism underlying H2 in particular is undermined, as it assumes that the barrier that co-financing represents is more readily overcome by left-wing parties who are more willing to spend.

The following table summarises some CP statistics, as provided by the respective *country reports* or from additional sources to highlight the countries' comparability, and Greece's advantage in terms of the virtual suspension of the co-financing rule in the middle of the PP.

	Greece	**Portugal**
Total allocation of EU SF for 2007-2013[11] (*rounded to the nearest 0.1 billion*)	€20.2 billion	€21. 4 billion
ERDF and CF allocation	€15.9 billion	€14.9 billion
Amount per capita of total funds[12]	€1,813	€2,023
Percentage of total Government capital expenditure[13]	19%	27.5%
Original EU co-financing[14]	75%	63%
EU co-financing change mid-PP	99.8% EU (as of 2010)	74% (as of December 2011)

Table 6.5. CP statistics for Portugal and Greece (Source: Own compilation of data contained in the respective ex post country reports)

6.5.1 Greece

In the *country report* focussed on Greece, the opening line of the *Executive Summary*, as with the Portuguese equivalent, refers directly to the financial crisis of 2008. As can noted by its wording, the introduction is arguably more severe than is the case with its Portuguese counterpart: *"In Greece, the 2007-2013 [PP] coincided with a prolonged and deep recession, triggered by the global economic and financial crisis which laid bare the long-term structural deficiencies of the economy" (*Applica, Ismeri Europa and Cambridge Economic Associates, 2016b, p. 9*)*. The summary continues with an elaboration

[11] Retrieved from https://cohesiondata.ec.europa.eu/dataset/Total-EU-Allocations-Per-MS-For-2007-2013/4taz-54g9
[12] Hix & Hoyland, 2011, p. 232
[13] (European Commission, 2016a)
[14] The country reports refer to co-financing as the contribution made by the EU as a percentage of the total.

of what the crisis entailed, including the declining employment rate between 2007 and 2013 along with the dramatic decline in GDP. The section dedicated to '*The policy context and background: Macroeconomic situation'* admits that *"the global crisis exposed the long-term competitive weakness of the economy and as a result it hit Greece* ***more severely*** *than other EU Member States" (p. 10).*

The public-sector spending capacity of Greece is also highlighted in light of the macroeconomic situation as it is stated that the recession led to a significant deterioration in public finances, with the budget having been in considerable deficit prior to 2007 before the actual crisis had hit (p. 10). The reaction to the fact that the deficit increased to 15% of GDP in 2009 was the intervention of the Troika, comprising of the EC, IMF and the ECB, with a bailout in 2010 as the interest rates that the government could borrow at had become unsustainable (p. 10). Since a condition for this bailout was austerity measures that required cutbacks in public spending, the EC intervened again under the auspices of CP to counteract this and revised the EU co-financing rule to allow an EU co-financing rate of 99.8% as opposed to the previous 75% to counterbalance the austerity measures (p. 11). This huge cut in the *national* co-financing requirement made it much easier for a government to spend funding and thus explains why absorption in Greece significantly increased after 2010, i.e. a correlation is found between the dropping of the expected national co-financing and Greece's increase in absorption compared to EU28 absorption in the years that follow, even in spite of government changes.

In terms of decommitted funding[15], the *country report* on Greece makes no mention of decommitted funding as is the case in the Portuguese counterpart, but as the *Delivery System evaluation* states, Greece *overcommitted* funding at a particularly high level to ensure absorption and avoid decommitment, as discussed earlier (KPMG & Prognos, 2016, p. 56).

6.5.2 Portugal

In the ex-post evaluation of the ERDF and CF in Portugal (Applica, Ismeri Europa and Cambridge Economic Associates, 2016a), the *Executive Summary* places a focus on the financial crisis of 2008 to the forefront. This is demonstrated by the introductory sentence which reads: "*The economic and financial crisis which struck in 2008 severely affected the Portuguese economy, which had already been growing relatively slowly in the preceding years*" (p. 9). Austerity measures were also highlighted in the *Executive Summary*, as the authors point out that there was "*a marked reduction in the overall funding available for investment because of* ***national co-financing*** *being cut back*" (p. 9).

[15]Decommitment of funding refers to allocated funds that are rescinded because of a failure to spend a tranche of said funds within the permitted two/three years (see *2.2.3 Financing rules*).

Unlike Greece, Portugal experiences decommitments, however, in relative terms it is only minor: The ERDF and CF funding that was initially made available amounted to €14.9 billion with this amount subsequently being reduced over the period to €14.6 billion as a result of decommitments (p. 11).

Reallocation of funding in relation to what was originally planned occurred in Portugal during the period is hinted as being a result of the financial crisis by the wording of the text: *"Over the 2007-2013 period, and particularly after the crisis, there were significant shifts in funding"* (p. 13). The reallocation of funding, which was discussed in an earlier subchapter, was put down to three main reasons which are as follows:

1. *"The effects of the crisis and the desire to have a more immediate and direct effect on economic activity*
2. *The inability of public authorities to find the necessary co-financing for construction projects*
3. *Difficulties and delays in undertaking the planned investment in railways with major construction projects being cancelled and funding shifted to other policy areas, such as education infrastructure"* (p. 13)

Even if there were partisan reasons for reallocating funds, the above list is firm evidence that the financial crisis was the official rationale and a justified one at that. However, the low level of alternation is possibly reflected in the fact that Portugal had a much steadier level of absorption than Greece, though due to the crisis this cannot be demonstrated; since the ability and willingness to co-fund projects under CP is hampered by the crisis, this has a direct effect on the validity of the second hypothesis which is theoretically based on a government's ability and willingness to co-finance projects.

Looking at co-financing more directly, the evaluation in a section dedicated to *Policy Implementation* also indicates that in order to ease the pressure on Portugal's ability to absorb funding, the EC increased the *EU co-financing rate* from an average of around 63% to 74% (p. 14). The reason cited for the EC's decision to reduce the *national co-financing* rate in December 2011 was that this was a response in recognition of the severe public finance problems that Portugal was experiencing (p. 14). National public co-financing (local as well as central government) had been reduced by almost 60% due to the crisis (p. 14), despite a left-wing government being in power. Although these measures eased the financing problems of the national authorities and simplified the execution of expenditure, this was indicated to be at the expense of an overall reduction in the scale of programmes, with the total funding available for these being reduced by over 17% (The sum of national and EU funding) (p. 14). The evaluation also claims that easing the pressure on co-funding in this way led to a significant increase in the absorption of funds from the end of 2011 (p. 15). The fact that the evaluation directly links the increase in absorption with the easing of the co-financing rule as well as the fact that this coincided with the centre-right government being in power does not make it plausible that politicization had an effect, positive or negative, on absorption.

6.6 Testing the hypotheses

This subchapter returns to the hypotheses in light of the research on and analysis of the dependent and independent variables in the preceding subchapters. It is found that, despite a correlation, the preceding evidence demonstrates that the hypotheses cannot be confirmed.

The first hypothesis relating to alternation partially correlates in the studied countries but cannot be confirmed on account of the analysis:

> **H1a: The more governing party alternations there is in a MS, the *lower* the rate of EU fund absorption.**

Greece has significantly more alternations in national government which was predicted to result in a lower level of absorption when compared to a country in which alternation is lower or non-existent. As explained in the research design, 2013 is the last year in which allocations can be altered and marks the official end of the PP, however, the N+3 rule means absorption can continue until 2016. H1a correlates as Greece records a level of absorption at 62.04% in 2013 compared to Portugal's absorption rate of 78.67% which shows that there is quite some discrepancy in the assessment year of 2013. Whether one attributes more importance to 2013 or 2016 is the difference between there being a correlation or not, as by 2016 Greece ends up having a higher level of absorption than Portugal. Regardless of this, Greece's lower absorption to start and its increased absorption at the end correlates with – and is found to be caused – firstly, by the economic crisis, and secondly by the virtual dropping of the requirement for national co-financing.

> **H1b: The more governing party alternations there is in a MS, the *slower* the rate of EU fund absorption.**

With regard to *speed* of absorption, H1b correlates if you compare both countries to each other, as Portugal has a higher rate of absorption than Greece for every year until 2014 with the gap between the two being at its largest in 2012, i.e. Portugal's total absorption being practically 10 percentage points above that of Greece. However, in 2015 Greece surpasses Portugal and its speed of absorption for the last few years until 2016 is exceptionally high. Nevertheless, on account of the EC's intervention in terms of easing co-financing restrictions and the greater effect of the crisis earlier on in the PP in Greece, the correlation is not found to be caused by the theoretical mechanism underlying the hypothesis.

The second set of hypotheses find correlations much in the same way as the first two but they cannot be confirmed as no convincing evidence was found to validate their underlying theorical mechanisms. H2a finds a correlation until 2013, but beyond 2013 there is no correlation anymore. H2b also exhibits a correlation but fails to account for causation:

H2a: The more left wing the government, the higher the rate of absorption.

H2b: The more left wing the government, the faster the rate of absorption.

The second set of hypotheses, therefore, is likewise disconfirmed as the analysis of temporal changes in particular shows that alternations from left to right can still lead to increased absorption. The only potential clues regarding ideological influence is actually in reallocation, but as the focus of this study is on absorption, this avenue was not explored in depth.

Politicization may have had some influence in the use of funding, but either that influence could not be reliably established, had a negligible impact or it did not have the expected outcome, which was generally for there to be a perceptible disruption in absorption rates. Causation has been reliably linked with the effects of the financial crisis and is attributed by EC publications as the official reason behind the observed patterns in absorption. The final chapter will discuss this further in light of the chosen research question, look at the limitations of this study and finally offer suggestions for future research in view of the lessons learnt from carrying out this research.

7 Conclusion

At this point our attention is turned back to the original research question, which poses the question as to whether politics in the form of political ideology and politicization of the bureaucracy have an effect on EU SF absorption under the CP in Southern European MSs. This study has been unable to demonstrate that politics in this form has had a tangible effect in the cases of Greece and Portugal at the uppermost state level. Analysing the data of absorption rates failed to ascertain any perceptible change in absorption in the ways that were expected by the underlying theoretical mechanisms. Subsequent analysis of qualitative sources, most notably the *country reports* for the PP, did provide what appeared to be potential evidence of political effects, but since absorption was not affected in the hypothesised manner, and on account of the reliance on publicly available information, no link could be drawn in this regard between the dependent and independent variables. However, it must be noted that although the question cannot be answered based on the above research this does not rule out politics playing a role in how funding was absorbed. The 2007-2013 PP was overshadowed by the financial crisis of 2008 to the extent that its effect on absorption was predominant, or at least a good justification for decisions that were made to alter planned spending throughout the period.

This research has faced limitations that restrict the findings of this study and they are documented in the following subchapter. Subsequent to, and in connection with, these limitations, this thesis concludes with suggestions for further research that may deliver more fruitful results in the future.

7.1 Limitations

This study has a number of limitations which ought to be kept in mind for future research in this area. The research design was found to be limited by various factors including but not limited to the availability of relevant information, the limited scope of the study and the steep learning curve involved with doing research in this area.

The first limitation is that, unlike with the case of Hagemann's 2017 study, this study compares two countries on a macro level rather than different NOPs individually. This study considers the absorption rate based on all funds accumulatively and, as such, this includes all three types of OPs, those being national, regional and 'cross-border, transnational and interregional'. Only the NOPs, although being large in terms of the funding received, are directly overseen by the national government and the input of regional actors is limited. The appendix includes a table outlining details regarding the management of OPs. In the case of Portugal, national ministries were not listed by the relevant EC webpages as the managers of OPs, but rather 'commissions' are, whose interaction with the central government is unclear. As mentioned in the analysis, Portugal had a complicated system for managing OPs, which differed from that of Greece. Furthermore, the assumption was made that the national level is the most important in these countries when it comes to the management of funding as they are both unitary states that are additionally unicameral. As unitary states they have no constituent states with protected rights and therefore the infrastructure for regional management did not pre-exist CP.

Regarding the countries involved in this study, the ROPs were managed in some cases by regional managing authorities and in others by a special branch of a national ministry; the former is the case in Portugal where each ROP is managed by a regional authority, however, in the case of Greece, the latter was the case as ROPs were managed by the national government, e.g. OP 'Western Greece - Peloponnesus - Ionian Islands' was managed by the Special Managing Service of the Regional OPs which is a subsection of the Ministry of Development and Competitiveness (see *Appendix*). The fact that Portuguese ROPs were managed independently of the national government, which was not the case in Greece, negatively affects the two countries' comparability.

The 'cross-border, transnational and interregional co-operation' OPs were managed by authorities in one of the countries involved in the programme. For example, the 'Greece - the former Yugoslav Republic of Macedonia' IPA Cross-border Co-operation Programme OP was managed by the Ministry for Development, Competitiveness and Shipping in Greece. However, the Mediterranean Programme OP was managed in France by the Conseil Régional Provence-Alpes Côte d'Azur. In the case of Greece, the OPs involving more than one country were managed by national ministries rather than regional ones. Portugal, which partook in fewer cross-border OPs than Greece, only managed one. Furthermore, this OP named 'Atlantic Area', was managed by a Portuguese regional authority rather than a national ministry which is a further discrepancy between how the two countries delegated the responsibility for their OPs.

A second limitation relates to the slight discrepancy between the two countries in terms of administrative capacity. Although both countries are rated in the lower quartile of OECD countries in terms of 'executive capacity', Greece's is quite a bit lower. Furthermore, the Sustainable Governance Indicators is a relatively new ranking and has only been produced by the *Bertelsmann Stiftung* since 2009 (The Brookings Institution, 2009). The use of the indicators published in 2014 was partially due to Hagemann's (2017) use of them but also due to availability. The rating has certainly been produced taking the effect of the financial crisis into consideration and does not provide figures that predate it.

A third limitation is that the prominence of the financial crisis during this PP made it difficult to attribute decisions, such as reallocation of funding, to anything other than the financial crisis. Even if there were particular political motivations stemming from ideology which led to reallocation, the crisis was a good excuse to mask this intention. Furthermore, the crisis definitely affected Greece more than Portugal which not only negatively affected comparability but led to a negation of the mechanism underlying the second hypothesis which relied on the perceived ‘barrier’ that national co-financing represented, i.e. co-financing was essentially suspended in Greece while still in effect in Portugal. Public spending was also limited in the case of both countries by the terms attached to their respective bail outs, which was a factor whose effect was greater than anticipated before embarking on the study.

A fourth limitation is the reliance, perhaps over-reliance, on publicly available information. Although the analysis of absorption data in conjunction with information about government alternations showed that there was not a correlation in the aftermath of alternations, the qualitative data held limited information with regard to the independent variables. Analysing the respective *country reports* and documents that stemmed from them did provide vague potential evidence regarding the interaction of the independent and dependent variables, though did not represent sufficient evidence to ascertain an interaction.

Not so much a limitation as it was a difficulty regarding the retrieval of relevant information: The inability to speak the official languages of both states at times made it difficult to access certain documents which either had not been translated into English or had not been made available in the language. This, for example, is the case with some of the documentation related OPs provided by the EC website. Additionally, some documents provided by official government websites in each country were sometimes partially available in English or not at all. The same goes for assessing media outlets in each country which restricted research to articles that made it to international outlets. It may have been the case that these sources provided evidence of politicization or useful leads regarding the direction of research which could have otherwise been availed of.

7.2 Recommendations for future research

Based on the limitations and the lessons learnt from carrying out this study, the following are a few recommendations for further research in this area. In terms of the two mechanisms looked at in this study, it would be prudent to consider the effect of either one or the other in future research. For example, the mechanism related to partisan theory would be worthwhile to research in its own right in relation to absorption as well as allocation of funding, particularly in the context of a qualitative study. In terms of politicization of the bureaucracy, a less qualitative study that involves a larger N would be an avenue for further research. This should be done akin to Hagemann’s method of taking NOPs as the unit of observation of the dependent variable, but for NOPs in several Southern European countries, depending, of course, on the availability of data. This can even be done based on the current PP as it is due to end in 2020. Crucial here is to identify OPs with lower than average absorption rates as the chance of finding evidence of this mechanism in effect are greater. That said, looking at absolute absorption rates is not sufficient for determining success of CP in terms of the quality of implementation. Whether spending is efficient and effective is an aspect that needs to be researched independently of absorption and this would be a worthwhile pursuit in relation to countries with low administrative capacities in combination with a high rate of absorption, like Greece, which saw some wastage of resources in terms of its spending, e.g. under the Technical Assistance OP, the vast majority of the available resources was spent on reimbursing employees and on additional operational costs which resulted in approximately 1% actually being spent on capacity-building activities (KPMG & Prognos, 2016, p. 149).

References

Abdel-Rahman, A. M. (1997). The partisan theory and macroeconomic policy under unscheduled regime transfers: A case study of an LDC. *Journal of Economic Studies, 24*(4), 222-241. doi:10.1108/01443589710188966

Alexe, A. (2017, December 11). Romania only spent 1.1 pct of European funds for 2014-2020; only two other EU states had lower absorption. *Business Review*. Retrieved from http://business-review.eu/news/romania-only-spent-1-1-pct-of-european-funds-for-2014-2020-only-two-other-eu-states-had-lower-absorption-154166

Applica, Ismeri Europa and Cambridge Economic Associates. (2016a). *WP1: Synthesis report: Ex post evaluation of Cohesion Policy programmes 2007-2013, focusing on the European Regional Development Fund (ERDF) and the Cohesion Fund (CF): Task 3 country report: Portugal.* Brussels: European Commission Directorate-General for Regional and Urban Policy Directorate B – Policy.

Applica, Ismeri Europa and Cambridge Economic Associates. (2016b). *WP1: Synthesis report: Ex post evaluation of Cohesion policy Programmes 2007-2013, focusing on the European Regional Development Fund (ERDF) and the cohesion fund (CF): Task 3 country report: Greece.* Brussels: European Commission Directorate-General for Regional and Urban Policy Directorate B – Policy.

Bache, I. & Jones, R. (2000). Has EU regional policy empowered the regions? A study of Spain and the United Kingdom. *Regional & Federal Studies, 10*(3), 1-20. doi:10.1080/13597560008421129

Bachtler, J., Hamza, C., Kah, S., Mendez, C., Radzyner, A., & Tödtling-Schönhofer, H. (2014). *Implementation of cohesion policy 2014-2020: Preparations and administrative capacity of member states.* (No. IP/B/REGI/FWC/2010-002/LOT01-C01-SC12). Directorate General for Internal Policies. Retrieved from http://www.europarl.europa.eu/committees/en/supporting-analyses-search.html

Balke, N. S. (1991). Partisanship theory, macroeconomic outcomes, and endogenous elections. *Southern Economic Journal, 57*(4), 920-935.

Balsiger, J. (2016). Cohesion policy in the rich central regions. In S. Piattoni, & L. Polverari (Eds.), *Handbook on cohesion policy in the EU* (pp. 268-284) Edward Elgar Publishing. doi:10.4337/9781784715670

Barker, A. (2018, April 22). EU budget revamp set to shift funds to southern states. *Financial Times.* Retrieved from https://www.ft.com/content/74d3a5aa-45b5-11e8-8ee8-cae73aab7ccb

Basevi, G. (2013, January 23). Reducing the frequency of electoral cycles in the EU: A proposal for synchronising national and European elections. *Voxeu.* Retrieved from https://voxeu.org/article/reducing-frequency-electoral-cycles-eu-proposal-synchronising-national-and-european-elections

Bayer, L., Livingstone, E., & Greenhalgh, L. (2018, May 3). Who's glad, sad and mad about EU budget plan. *Politico.* Retrieved from https://www.politico.eu/article/eu-budget-plan-mff-winners-losers-who-is-glad-sad-and-mad/

BBC. (2018a). EU budget: Who pays what? *BBC*. Retrieved from http://news.bbc.co.uk/2/hi/europe/8036097.stm

BBC. (2018b, June 1). Spain profile – Timeline. BBC. Retrieved from https://www.bbc.com/news/world-europe-17955805

Becker, S. O., Egger, P. H., & von Ehrlich, M. (2010). Going NUTS: The effect of EU structural funds on regional performance. *Journal of Public Economics, 94,* 578-590. doi:10.1016/j.jpubeco.2010.06.006

Blatter, J., & Haverland, M. (2012). *Designing case studies: Explanatory approaches in small-N research*. Palgrave MacMillan.

Boland, P. (2004). Wales and objective 1 status: Learning the lessons or emulating the errors? *European Planning Studies, 12*(2), 249-270. doi:10.1080/0965431042000183969

Boucek, F. (2010). The least worst option? the pros and cons of coalition government. *Political Insight, 1*(2), 48-51. doi:10.1111/j.2041-9066.2010.00022.x

Bouvet, F., & Dall'Erba, S. (2010). European regional structural funds: How large is the influence of politics on the allocation process? *Journal of Common Market Studies, 48*(3), 501-528. doi:10.1111/j.1468-5965.2010.02062.x

Brabant, M. (2009, October 2). Greeks despair of election choices. *BBC*. Retrieved from http://news.bbc.co.uk/2/hi/europe/8285484.stm

Brazys, S., & Hardiman, N. (2015). From 'Tiger' to 'PIIGS': Ireland and the use of heuristics in comparative political economy. *European Journal of Political Research, 54*, 23-42. doi:10.1111/1475-6765.12068

Brunazzo, M. (2010). Regional Europe. In Michelle Cini, Nieves Pérez-Solórzano Borragán (Ed.), *European Union Polit*ics (3rd ed., pp. 291-305). Oxford, England: Oxford University Press.

Cace, C., Cace, S., Iova, C., & Victor, N. (2009). Absorption capacity of the structural funds. integrating perspectives. *Revista De Cercetare Si Interventie Sociala, 27*, 7-28.

Cusack, T. R. (1997). Partisan politics and public finance: Changes in public spending in the industrialized democracies, 1955–1989. *Public Choice, 91*, 375-395.

Dellmuth, L. M., & Stoffel, M. F. (2012). Distributive politics and intergovernmental transfers: The local allocation of European Union structural funds. *European Union Politics, 13*(3), 413-433. doi:10.1177/1465116512440511

Economist. (2007, July 26). Money-go-round: Why the European Union is spending billions in rich countries. *The Economist.* Retrieved from https://www.economist.com/europe/2007/07/26/money-go-round

Economist. (2011, November 12). A very short history of the crisis: To understand the politics of the euro, it is necessary to look at its causes. *The Economist*. Retrieved from https://www.economist.com/node/21536871

European Commission. (n.d.). Portugal: Results of the negotiations of Cohesion Policy strategies and programmes 2007–13. Retrieved from http://ec.europa.eu/regional_policy/sources/docoffic/official/communic/negociation/country_pt_en.pdf

European Commission. (2008). Cohesion policy 2007-13: National strategic reference frameworks. Luxembourg: Office for Official Publications of the European Communities.

European Commission. (2011). Report from the Commission annual report on the Cohesion Fund. Retrieved from https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0642:FIN:EN:HTML

European Commission. (2015a). European structural and investment funds 2014-2020: Official texts and commentaries. Retrieved from http://ec.europa.eu/regional_policy/sources/docgener/guides/blue_book/blueguide_en.pdf

European Commission. (2015b). Regional policy: Key objectives. Retrieved from: http://ec.europa.eu/regional_policy/archive/policy/object/index_en.htm

European Commission. (2016a). Cohesion policy delivering benefits for citizens - Main results 2007-2013 [Presentation]. Retrieved from http://ec.europa.eu/regional_policy/en/information/publications/presentations/2016/presentation-cohesion-policy-delivering-benefits-for-citizens-main-results-2007-2013

European Commission. (2016b, June 27). New Commission proposal helps Cyprus and Greece fully seize investment opportunities under ESI Funds [Press release]. Retrieved from europa.eu/rapid/press-release_IP-16-2299_en.pdf

European Commission. (2017). European quality of government index 2017. Retrieved from http://ec.europa.eu/regional_policy/en/information/maps/quality_of_governance

European Commission. (2018a). Cohesion Fund. Retrieved from http://ec.europa.eu/regional_policy/en/funding/cohesion-fund/

European Commission. (2018b). European Regional Development Fund. Retrieved from http://ec.europa.eu/regional_policy/en/funding/erdf/

European Commission. (2018c). European Social Fund. Retrieved from http://ec.europa.eu/regional_policy/en/funding/social-fund/ ..

European Commission. (2018d). European structural and investment funds. Retrieved from https://ec.europa.eu/info/funding-tenders/funding-opportunities/funding-programmes/overview-funding-programmes/european-structural-and-investment-funds_en

European Commission. (2018e). Evaluations of the 2007-2013 programming period. Retrieved from: http://ec.europa.eu/regional_policy/en/policy/evaluations/ec/2007-2013/

European Commission. (2018f). Financial Management 2007-2013. Retrieved from http://ec.europa.eu/regional_policy/en/funding/financial-management/2007-2013/

European Commission. (2018g). Financial Management. Retrieved from http://ec.europa.eu/regional_policy/index.cfm/en/funding/financial-management/

European Commission. (2018h). Glossary: Additionality. Retrieved from http://ec.europa.eu/regional_policy/en/policy/what/glossary/a/additionality/

European Commission. (2018i). Glossary: European Structural and Investment Funds (ESIF). Retrieved from http://ec.europa.eu/regional_policy/en/policy/what/glossary/e/esif

European Commission. (2018j). Glossary: Operational programme. Retrieved from http://ec.europa.eu/regional_policy/en/policy/what/glossary/o/operational-programme

European Commission. (2018k). NUTS – Nomenclature of territorial units for statistics: Background. Retrieved from http://ec.europa.eu/eurostat/web/nuts/background

European Commission. (2018l). Programming and implementation. Retrieved from http://ec.europa.eu/regional_policy/en/policy/how/stages-step-by-step/

European Commission. (2018m). SME competitiveness. Retrieved from http://ec.europa.eu/regional_policy/en/policy/themes/sme-competitiveness/

European Commission. (2018n). The EU's main investment policy. Retrieved from http://ec.europa.eu/regional_policy/en/policy/what/investment-policy/

Financial Times. (2018). Definition of EU structural funds. Retrieved from http://lexicon.ft.com/Term?term=EU-structural-funds

Glaeser, E. L. (2010). Introduction. In E. L. Glaeser (Ed.), *Agglomeration economics* (pp. 1-14) University of Chicago Press. Retrieved from http://papers.nber.org/books/glae08-1

Greece Population. (n.d.). *Countrymeters*. Retrieved from http://countrymeters.info/en/greece

Guyot, C. (2018, April 24). MEPs defend 'ambitious budget' for cohesion policy. *Euractiv*. Retrieved from https://www.euractiv.com/section/future-eu/news/meps-defend-ambitious-budget-for-cohesion-policy/

Funck, B., Pizzati, L., & Bruncko, M. (2003). Chapter 1: Overview. In B. Funck, & L. Pizzati (Eds.), *European integration, regional policy and growth* (pp. 1-17) The World Bank.

Hagemann, C. (2017). How politics matters for EU funds' absorption problems – a fuzzy-set analysis. *Journal of European Public Policy*, pp. 1-19. doi:10.1080/13501763.2017.1398774

Hagemann, C. (2018). *The conditions of successful implementation of Cohesion Policy in Central and Eastern Europe*. (Unpublished Doctoral Dissertation). Ludwig Maximilian University of Munich

Hapenciuc, C. V., Morosan, A. A., & Arionesei (Gaube), G. (2013). Absorption of structural funds - international comparisons and correlations. *Procedia Economics and Finance, 6,* 259-272. doi:10.1016/S2212-5671(13)00139-1

Hellenic Parliament. (2018). The Parliament: The Political System: Elections. Retrieved from https://www.hellenicparliament.gr/en/Vouli-ton-Ellinon/To-Politevma/Ekloges/Eklogika-apotelesmata-New/

Hibbs, D. A. (1994). The partisan model of macroeconomic cycles: More theory and evidence for the United States*. *Economics and Politics, 6*(1), 1-22.

Hix, S., & Høyland, B. (2011). *The political system of the European Union* (3rd ed.). London, England: Palgrave Macmillan.

Hooghe, L. (1998). EU cohesion policy and competing models of European capitalism*. *Journal of Common Market Studies, 36*(4), 457-477.

Imbeau, L. M., Pétry, F., & Lamari, M. (2001). Left-right party ideology and government policies: A meta-analysis. *European Journal of Political Research, 40*, 1-29.

Insideurope: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) Representation in Brussels. (2013). Absorption rates - structural and cohesion funds - EU-27. Retrieved from http://insideurope.eu/node/403

Jurevičienė, D., & Pileckaitė, J. (2013). The impact of EU structural fund support and problems of its absorption. *Business, Management and Education, 11*(1), 1-18. doi:10.3846/bme.2013.01

Katsarova, I. (2013). The (low) absorption of EU structural funds Library Briefing: Library of the European Parliament.

Kelly-Gagnon, M., & Geloso, V. Who spends more: Left or right? *MEI* (Think tank).Retrieved from http://www.iedm.org/files/note0413_en.pdf

Kersan-Škabić, I., & Tijanić, L. (2017). Regional absorption capacity of EU funds. *Economic Research-Ekonomska Istraživanja, 30*(1), 1191-1208. doi:10.1080/1331677X.2017.1340174

Kisiała, W., Bajerski, A., & Stępiński, B. (2017). Equalising or polarising: The centre–periphery model and the absorption of EU funds under regional operational programmes in Poland. *Acta Oeconomica, 67*(3), 413-434. doi:10.1556/032.2017.67.3.6

Konstantinos Karamanlis (n.d.). In *Encyclopædia Britannica*. Retrieved from https://www.britannica.com/biography/Konstantinos-Karamanlis

KPMG & Prognos. (2016). *Delivery system: Final Report: Work package 12: Ex post evaluation of cohesion policy programmes 2007-2013, focusing on the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF).* Luxembourg: European Commission, Directorate-General for Regional and Urban Policy Directorate B - Policy. doi:10.2776/10104

Lampropoulos, N. (2018, April 30). Parliament slams the brakes on EU's proposed regional fund overhaul. *Euractiv*. Retrieved from https://www.euractiv.com/section/economy-jobs/news/parliament-slams-the-brakes-on-eus-proposed-regional-fund-overhaul/

Lehnert, M., Miller, B., & Wonka, A. (2007). Increasing the relevance of research questions: Considerations on theoretical and social relevance in political science. In T. Gschwend, & F. Schimmelfennig (Eds.), *Research design in political science: How to practice what they preach* (pp. 21-38) Palgrave Macmillan UK. doi:10.1057/9780230598881

Leonardi, R. (2005). *Cohesion Policy in the European Union: The building of Europe*. Palgrave Macmillan. New York.

Lowen, M. (2012, June 21). Greece election: PM Antonis Samaras announces cabinet*. BBC.* Retrieved from https://www.bbc.com/news/world-18531604

Magone, J. (2010). Portugal. *European Journal of Political Research, 49,* 1130-1138. doi:10.1111/j.1475-6765.2010.01969.x

Magone, J. (2012). Portugal. *European Journal of Political Research Political Data Yearbook, 51*, 257-268. doi:10.1111/j.2047-8852.2012.00028.x

Mavrogordatos, G. (2008). Greece. *European Journal of Political Research, 47,* 990-997. doi:10.1111/j.1475-6765.2008.00794.x

Mavrogordatos, G., & Marantzidis, N. (2010). Greece. *European Journal of Political Research, 49*, 991-1000. doi:10.1111/j.1475-6765.2010.01954.x

Mavrogordatos, G., & Mylonas, H. (2011). Greece. *European Journal of Political Research, 50*, 985-990. doi:10.1111/j.1475-6765.2011.02023.x

Mavrogordatos, G., & Mylonas, H. (2012). Greece. *European Journal of Political Research Political Data Yearbook, 51*, 122-128. doi:10.1111/j.2047-8852.2012.00013.x

Michie, R., & Granqvist, K. (2013). Managing the 2007-13 programmes towards full absorption and closure: Review of programme implementation winter 2012-spring 2013. IQ-net review paper. *European Policies Research Institute, 32*(1), 1-47.

Milio, S. (2008). How political stability shapes administrative performance: The Italian case. *West European Politics, 31*(5), 915-936. doi:10.1080/01402380802234581

Mohl, P. (2016). *Empirical evidence on the macroeconomic effects of EU cohesion policy* (Doctoral dissertation). doi:10.1007/978-3-658-13852-3

Mylonas, H. (2013). Greece. *European Journal of Political Research Political Data Yearbook, 52*, 87-95. doi:10.1111/2047-8852.12012

Neumayer, E. (2004). The environment, left-wing political orientation and ecological economics. *Ecological Economics, 51*, 167-175. doi:10.1016/j.ecolecon.2004.06.006

Novosák, J., Novosáková, J., Hájek, O., & Horváth, P. (2017). Regional disparities, absorption capacity and structural fund payments: A case study of the Czech Republic. *Quaestiones Geographicae, 36*(4), 81-92.

Pettersson-Lidbom, P. (2003). Do parties matter for fiscal policy choices? A regression-discontinuity approach*. *Research Papers in Economics*. Retrieved from https://www.ne.su.se/polopoly_fs/1.214899.1418658096!/menu/standard/file/Party.pdf

Portugal (n.d.). In *Encyclopædia Britannica*. Retrieved from https://www.britannica.com/place/Portugal

Portugal Population. (n.d.). *Countrymeters*. Retrieved from http://countrymeters.info/en/portugal

Rohac, D. (2017, August 10). EU funds to 'New Europe' need better management: Allegations of misuse underline need for better targeting and oversight. *Financial Times.* Retrieved from https://www.ft.com/content/65ade8c0-7936-11e7-a3e8-60495fe6ca71

Ronge, V. (1974). The politicization of administration in advanced capitalist societies. *Political Studies, 22*(1), 86-93. doi:10.1111/j.1467-9248.1974.tb01474.x

Rossi, E. (2018). A more ambitious cohesion policy for the post 2020 period. Retrieved from http://www.regione.toscana.it/documents/10180/15157641/Contribution+Rossi+cohesion+Post+2020.pdf/dd9c9843-c7e5-43f2-b472-1493d76f4425?version=1.0

Rufino, F. (2005, July 6). New Cohesion Fund plan faces delays. *EUobserver*. Retrieved from https://euobserver.com/economic/19507

Seetharaman, M., Desjardins, G., & Gauret, F. (2018, March 6). Reducing regional disparity in the EU: Cohesion Policy aims. *Euronews.* Retrieved from http://www.euronews.com/2018/03/06/reducing-disparities-in-rich-and-poor-countries-eu-cohesion-policy-explained

SGI (Sustainable Governance Indicators). (2017). Greece: Executive capacity. Retrieved from http://www.sgi-network.org/2017/Greece/Executive_Capacity

SGI (Sustainable Governance Indicators). (2016). 'Sustainable governance indicators 2016 codebook'. Retrieved from http://www.sgi-network.org/docs/2016/basics/SGI2016_Codebook.pdf

SGI (Sustainable Governance Indicators). (2014). Policy performance and governance capacities in the OECD and EU: Sustainable Governance Indicators 2014. Retrieved from http://www.bertelsmann-stiftung.de/fileadmin/files/BSt/Publikationen/GrauePublikationen/Policy_Performance_and_Governance_Capacities_SGI2014_Overview.pdf

Surubaru, N. C. (2017). Administrative capacity or quality of political governance? EU cohesion policy in the new Europe, 2007–13. *Regional Studies, 51*(6), 844-856. doi:10.1080/00343404.2016.1246798

Tatulescu, A., & Patruti, A. (2014). Structural funds and economic crises: Romania's absorption paradox. *Procedia Economics and Finance, 16*, 64-72. doi:10.1016/S2212-5671(14)00775-8

The Brookings Institution. (2009). Sustainable governance indicators 2009. Retrieved from https://www.brookings.edu/book/sustainable-governance-indicators-2009/

The Global Economy. (2018). Real and nominal economic growth. Retrieved from https://www.theglobaleconomy.com/guide/article/67/

Thomson, R. (2010). Opposition through the back door in the transposition of EU directives. *European Union Politics, 11*(4), 577-596. doi:10.1177/1465116510380283

Tosun, J. (2014). Absorption of regional funds: A comparative analysis*. *Journal of Common Market Studies, 52*(2), 371-387. doi:10.1111/jcms.12088

Treib, O. (2003). Die Umsetzung von EU-Richtlinien im Zeichen der Parteipolitik: Eine akteurszentrierte Antwort auf die Misfit-These. *Politische Vierteljahresschrift, 44*(4), 506-528. doi:10.1007/s11615-003-0096-y

Tremlett, G. (2011, June 5). Pedro Passos Coelho set for big election win as Portugal swings right. *The Guardian.* Retrieved from https://www.theguardian.com/world/2011/jun/05/pedro-passos-coelho-election-portugal

UK Parliament. (2008). Select committee on European Union nineteenth report: Chapter 2: The European Union structural and cohesion funds. Retrieved from https://publications.parliament.uk/pa/ld200708/ldselect/ldeucom/141/14105.htm

WIPO (World Intellectual Property Organization). (2012). Law no. 4072/2012 on trademarks. Retrieved from http://www.wipo.int/wipolex/en/details.jsp?id=15990

Zubek , N., & Henning, C. H. C. A. (2016). Local government, spatial spillovers and the absorption of EU structural funds. *Journal of Agricultural Economics, 67*(2), 368-397. doi:10.1111/1477-9552.12146

Appendix

Table of the 2007-2013 OPs in Greece and Portugal:

Operational Programme	**Type**	**Managing Authority**	**Fund(s)**	**Allocation according to NSRF**
Greece				
Improvement of Accessibility	National	Ministry of Infrastructure, Transport and Network	ERDF CF	1 583 000 000 2 117 160 864
Environment and Sustainable Development	National	*Special Managing Service of the Operational Programme "Environment – Sustainable Development"*	ERDF CF	220 000 000 1 580 000 000
Digital Convergence	National	Ministry of Infrastructure, Transport and Network	ERDF	860 000 000
Competitiveness and Entrepreneurship	National	Ministry of Development and Competitiveness	ERDF	1 291 000 000
Technical Assistance	National	Ministry of Development and Competitiveness	ERDF	192 000 000
National contingency reserve	National	-	ESF	158 800 403
Human resources development	National	-	ESF ESF*	2 191 205 707 68 794 293
Education & Life-long learning	National	-	ESF ESF*	1 396 166 468 43 833 532
Improvement of Public Administration Efficiency	National	-	ESF ESF*	489 627 824 15 372 176
Western Greece - Peloponnesus - Ionian Islands	Regional	Ministry of Development and Competitiveness	ERDF	914 000 000
Central Macedonia - Western Macedonia - Eastern Macedonia & Thrace	Regional	Ministry of Development and Competitiveness	ERDF	2 675 000 000
Attica	Regional	Ministry of Development and Competitiveness	ERDF	2 438 000 000

Thessalia - Sterea Ellada - Ipiros	Regional	Ministry of Development and Competitiveness	ERDF ERDF*	738 000 000 367 000 000
Crete and the Aegean Islands	Regional	Ministry of Development and Competitiveness	ERDF ERDF*	731 000 000 140 300 178
Mediterranean Programme	Cross-border, transnational and interregional co-operation	Conseil Régional Provence-Alpes Côte d'Azur	-	-
Greece - Cyprus	Cross-border, transnational and interregional co-operation	Ministry of Economy and Finance	-	-
Greece-Italy	Cross-border, transnational and interregional co-operation	Ministry of Economy and Finance	-	-
Greece - Bulgaria	Cross-border, transnational and interregional co-operation	Ministry of Economy and Finance	-	-
South East Europe (SEE)	Cross-border, transnational and interregional co-operation	*Prime Minister's Office (Hungary)*	-	-
Adriatic IPA Cross-border Co-operation Programme 2007-2013	Cross-border, transnational and interregional co-operation	*Regione Abruzzo - Servizio Attività Internazionali*	-	-
'Greece - the former Yugoslav Republic of Macedonia' IPA Cross-border Co-operation Programme 2007-2013	Cross-border, transnational and interregional co-operation	Ministry for Development, Competitiveness and Shipping	-	-
'Greece-Albania' IPA Cross-border Co-operation Programme 2007-2013	Cross-border, transnational and interregional co-operation	Ministry of Development Competitiveness and Shipping	-	-
Portugal				
Thematic Factors of Competitiveness	National	Programa Operacional Factores de Competitividade (COMPETE)	ERDF	3 103 789 011
Territorial Enhancement	National	Instituto Financeiro para o	ERDF + CF ERDF CF	4 658 544 223 1 598 578 698 3 059 965 525

(Territorial Development)		Desenvolvimento Regional (IFDR, IP)		
Technical Assistance	National	Instituto Financeiro para o Desenvolvimento Regional (IFDR, IP)	ERDF ESF ERDF ESF	81 965 013 77 578 599 4 122 925 2 421 401
Norte	Regional	Programa Operacional Regional do Norte (ON 2)	ERDF	2 711 645 133
Centro	Regional	-	ERDF	1 701 633 124
Madeira	Regional	Instituto de Desenvolvimento Regional	ERDF + Spec All ERDF Special allocation ESF	320 549 004 254 224 328 66 324 676 125 000 000
Alentejo	Regional	Comissão de Coordenação e Desenvolvimento Regional do Alentejo	ERDF	868 933 978
Azores	Regional	-	ERDF + Spec All ERDF Special allocation ESF	966 349 049 900 748 216 65 600 833 190 000 000
Algarve	Regional	Comissão de Coordenação e Desenvolvimento Regional do Algarve	ERDF	174 952 016
Lisbon	Regional		ERDF	306 689 171
Spain - Portugal	Cross-border, transnational and interregional co-operation	-	ERDF	-
Madeira - Açores – Canarias	Cross-border, transnational and interregional co-operation	-	ERDF	-
Atlantic Area	Cross-border, transnational and interregional co-operation	-	ERDF	-
South West Europe	Cross-border, transnational and interregional co-operation	-	ERDF	-

Mediterranean Programme	Cross-border, transnational and interregional co-operation	Conseil Régional Provence-Alpes Côte d'Azur	ERDF	-

*Allocation for ‘Regional Competitiveness and Employment’ objective. Otherwise for ‘Convergence’. (Source: European Commission, 2008)