Funding for EU Regional Policy under the Financial Framework – New Institutionalist Explanations for Allocative Decisions

Master Thesis

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Abstract

For this research project, decisions and decision-making processes in EU Regional Policy have been analyzed from the perspective of the Financial Framework, the multi-annual budgetary plan of which Regional Policy forms an important part. The main goal of the project was to find an explanation for the allocation of Regional Policy funding, i.e. the budget for the policy and its allocation across different funding categories and countries. An analytical framework with three competing hypotheses on the determinants for Regional Policy funding has been developed. These were based on different strands of New Institutionalist thought: Historical Institutionalism, Rational Choice Institutionalism and Sociological Institutionalism. Following the design of a congruence analysis, the decision-making process on Regional Policy funding for the funding period of 2007-2013 has been studied as the main case for analysis. Independent variables based on a Sociological Institutionalist 'logic of appropriateness' and Rational Choice Institutionalist 'logic of consequences' were found to have a combined impact on inputs and outputs of the decision-making process, while the Historical Institutionalist concept of 'path dependence' has not been found very important. Decisive institutional factors seem to be utility-maximizing preferences of the EU member states, unanimity as the decision rule in the (European) Council, and a commitment to solidarity and a concentration of funding on the least developed member states and regions. Apart from these and other institutional factors, also contextual factors like Eastern enlargement have been found to inform Regional Policy funding. Applying this outcome to the current discussion on the next Financial Framework and the future of Regional Policy after 2013, it is suggested that the allocation of Regional Policy funding will not differ very much from that of 2007-2013.

Content

Abbreviations

CAP	Common Agricultural Policy
COREPER	Committee of Permanent Representatives
COM	Commission
D	Deutschland / Germany
DG	Directorate General
E	Espana / Spain
EAGGF	European Agricultural Guidance and Guarantee Fund
ECA	European Council Agreement
ECJ	European Court of Justice
EP	European Parliament
EMU	Economic and Monetary Union
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
FIFG	Financial Instrument for Fisheries Guidance
GDP	Gross Domestic Product
GNI	Gross National Income
GNP	Gross National Product
IIA	Interinstitutional Agreement
NB	Negotiating Box
NL	The Netherlands
PL	Poland
QMV	Qualified Majority Voting
SEM	Single European Market
TEU	Treaty on European Union
TFEU	Treaty on the Functioning of the European Union
UK	United Kingdom
VAT	Value Added Tax

1. Introduction

The Regional Policy of the European Union is a special policy, for at least three reasons. First, it occupies a large share of the EU budget. Second, it aims at being a truly redistributive policy which channels money from rich to poorer member states and regions. Third, contributing to the idea of a 'Europe of the regions', the processes of decision-making and implementation of the policy involve the supranational, national and subnational political-administrative level. I learned about the specialness of Regional Policy during an internship at a regional representation in Brussels. It was striking how much effort many European regions are putting into securing their share of the funding, demonstrating the added value of the policy and defending it against possible budgetary cuts. Therefore, in my thesis I want to learn more about both the design of the policy and the processes of decision-making it is based on. In this regard, I want to take a look at Regional Policy funding from the perspective of the multi-annual Financial Framework of the EU.

1.1 Problem Analysis and Research Questions

The Regional Policy of the European Union aims at bringing about an equal level development of all regions within the territory of the Union. It provides regions with funds which are to be used for achieving goals like greater levels of economic growth and competitiveness. These funding forms a part of the EU budget and amounts to some 35% of EU expenditure (348.415 billion euro in current prices) for the period of 2007-2013. The amount of the total funding available is decided in the negotiations on the so-called multi-annual Financial Framework of the EU, a budgetary plan comprising several years. It establishes the annual and overall ceilings for expenditure of all budgetary items, including Regional Policy. In the context of the Financial Framework also the structure of the Regional Policy, including different funding categories and the allocation of funding across different regions and countries, is debated and decided.

The negotiations on Regional Policy funding in the context of the Financial Framework appear to be very difficult or even problematic. They concern several budgetary items and involve huge sums of money. Furthermore, Regional Policy is in its essence redistributive, i.e. money from rich member states is channeled to poor member states and regions. Depending on both the total amount of funding and the design of the different funding categories, different sets of countries and regions are likely to benefit more from the policy than others. The interests of European, national and subnational actors play a role in the negotiations and decision-making processes.

The next Financial Framework of the European Union and therefore also the next programming period of EU Regional Policy will comprise the period from 2014 onwards. The European Commission issued its initial proposals on both the multi-annual budget and on the design of Regional Policy in the summer of 2011, so that the formal negotiations thereon are about to begin. Their outcome is far from certain, as different opinions are likely to exist on the size of the total budget, the one for Regional Policy and the design of the new Regional Policy programmes.

This research project wants to look in more detail at the allocation of Regional Policy funding, in terms of both the total amount of funding available for the policy, and the allocation of funding across different categories and to different countries. On the basis of past experiences and decisions, an explanation is sought for the allocation of funding. On the basis of that, it will be attempted to make a prediction of the allocation of Regional Policy funding for the upcoming funding period. The overall question that will be addressed in this project is:

How can the allocation of Regional Policy funding be explained?

This main question will need to be answered with regard to both the expected development of the overall budget for Regional Policy, as well as the design of the programmes and which regions and countries are likely to benefit, i.e. the allocation of funding within Regional Policy. It aims at testing the explanatory power of several factors that might be influential in shaping the decision-making processes in which the policy is embedded.

In order to answer this question, however, a number of sub questions will need to be addressed first:

1. *How has the funding for Regional Policy been allocated in the current and previous periods?*

This question needs to be answered in order to get familiar with past developments and decisions taken on the allocation of Regional Policy funding and the relationship between decisions on the Financial Framework and Regional Policy funding. It will form the basis for a more thorough analysis on the determinants for allocative decisions.

2. *Which factors determine the allocation of EU Regional Policy funding?*

This question needs to be answered in order to identify those factors that have had a decisive impact on important decisions on the allocation of Regional Policy funding in the past. A theoretical approach and an analytical framework will be developed that stresses the influence of institutional factors on actor positions and negotiation outcomes. It will guide the efforts in answering this sub question, while leaving some room for alternative and additional explanations.

3. *How is Regional Policy funding likely to be allocated in the period from 2014 onwards?*

On the basis of the answer to question 2 and current discussions, it will be determined which factors and theoretical approaches might have an impact on the allocation of Regional Policy funding in the upcoming period. Next to the factors specified in the analytical framework, also potential alternative or additional explanations will be taken into account.

1.2 Aim and Relevance

1.2.1 Academic relevance

One important aspect of the discipline of Public Administration is that it deals with public policy, focusing on both its content and the decision-making processes according to which it is developed. This is where the present research project fits into the body of knowledge that the discipline seeks to generate. Its aim is to determine how the decision on an important aspect of European-level

Regional Policy – namely its overall budget and allocation – can be explained given the procedures applicable and the institutions that govern the policy and its context. It can therefore enhance our understanding of how policies are made and especially what drives important European Union decisions.

Furthermore, the academic relevance of this project lies in its focus on the allocation of Regional Policy funding from the perspective of the Financial Framework. Not much literature is available that looks at allocative decisions in Regional Policy from a political angle. Moreover, the research project applies New Institutionalism to decision-making processes of two interrelated areas. It can therefore contribute to a better understanding of how the different strands of this theory perform in explaining complex interactions between institutions and political actors.

1.2.2 Societal relevance

The societal relevance of this research projects first of all lies in the importance and magnitude of the issue concerned. Regional Policy is the second largest item of the EU budget, which is small in comparison to that of its member states, but still large in absolute numbers. Furthermore, Regional Policy is a policy with high visibility for and often direct impact on European citizens, and it affects many policy-makers and levels of policy-making. All this makes it important to know which factors and dynamics determine and underlie its decision-making processes, and hence also the allocation of funding to and within it.

Second, research into the allocation of Regional Policy funding, especially within the policy, is relevant to citizens as well as (European) policy-makers since it can – at least partly – contribute to an assessment on the extent to which the policy operates according to its original aim of supporting the weakest European regions, determining therefore whether the allocation of money within the policy can be called fair. Furthermore, it might be possible to give an indication on how the allocation of funding could be improved.

Third, as will become clear below, this research project will include a forecast of what to expect in terms of the future allocation of Regional Policy funding within the upcoming debate on the next Financial Framework. As such, it will help all interested parties (citizens, policy-makers, lobbyists) with identifying the major factors that are likely to determine future allocation, the major points for debate and possible compromises.

1.3 Methodology

Several reasons point towards the choice of a qualitative and small-n design for this research project. First, as decisions on Regional Policy funding have been taken since 1988 for time periods of up to seven years, not many 'cases' are available for studying this phenomenon. Second, data availability for early cases is likely to be insufficient for a thorough analysis. A congruence analysis lends itself for the research project as a basic methodological approach as it aims at testing the explanatory power of one or several competing theories on a single case. The research on Regional Policy funding is theoretically-informed; it seeks to test the influence of several institutional concepts on the allocation of Regional Policy funding. The primary interest lies therefore in determining the degree of congruence between theoretically predicted and empirical observations. The type of cases that need to be looked at are the decision making processes for the multi-annual periods for which both the Financial Framework and the Regional Policy programmes are fixed. As the aim of the research project is to provide an overall explanation for the allocation of Regional Policy funding, 'outputs' of the decision-making process need to be looked at, but also 'inputs' in the form of political actors, their preferences and their role in the decision-making process. Because of time constraints and problems of data availability it will not be possible to look at the inputs of every EU member state. The selection of both overall cases as well as member states for the analysis of 'inputs' will be specified in Chapter 3.

1.4 Outline of the Paper

The paper is structured as follows. Chapter 2 will provide some basic information on the aim, content and decision-making procedures of both the Financial Framework and Regional Policy. On the basis of this, in Chapter 3 an approach for analyzing the allocation of Regional Policy funding will be developed, derived from New Institutionalism. This approach will feature competing hypotheses and a way of testing them. Chapter 4 then will address the issue of Regional Policy funding and decisions thereon in a historical perspective. This will give some major insights on how funding has been allocated in the past, next to some first clues on the explanatory power of the variables hypothesized. Chapter 5 will be the main chapter of the paper, in which the allocation of Regional Policy funding for the current period 2007-2013 will be described, analyzed and explained according to the three possible explanations generated in Chapter 3. Attention will also be paid to contextual factors that might serve as alternative or additional explanations for the allocation of Regional Policy funding. Chapter 6 will summarize the current debate on the next Financial Framework and Regional Policy funding. On the basis of the outcome and insights of Chapter 5, a forecast on Regional Policy funding and its determinants for the period after 2013 will be attempted. Chapter 7 will conclude the paper by answering the main research question and sub questions, by giving recommendations as to the fairness and possible improvements of Regional Policy funding, and by reflecting upon possible improvements of the research project.

2. Regional Policy and the Financial Framework of the EU

This research project aims at explaining the allocation of funding to and within the Regional Policy of the European Union. Before presenting an adequate theoretical framework for doing so, it is necessary to briefly introduce the policy, its character, aims, and processes of decision-making and governance. First, however, the Financial Framework of the European Union needs to be introduced as the 'context' in which allocative decisions on EU Regional Policy are being made.

2.1 The Basics of the Financial Framework

The multi-annual Financial Framework of the European Union "lays down maximum amounts for each broad category of expenditure for a clearly determined period of time" (European Commission Financial Programming and Budget, 2011). It is therefore an overall framework on the basis of which the annual EU budget is decided. Financial Frameworks were first agreed in the late 1980s in order to counter several 'budgetary crises' (Nugent, 2006). They help to ensure that "EU expenditure develops in an orderly manner, within the limit of the EU's own resources" (European Commission Financial Programming and Budget, 2011). These 'own resources' or revenues of the EU stem from customs duties and agricultural levies, a fraction of each member state's VAT, and a fraction of each member state's gross national income (formerly gross national product) (Hix, 2005; European Commission, Financial Programming and Budget, 2011a). The expenditure of the European Union needs to equal its revenue. The main part of it goes to the Common Agricultural Policy and Regional Policy (or the 'Structural Funds'). Smaller sums go to other internal and external policies and activities of the EU and to its administration (Hix, 2005).

The Financial Framework of the EU is laid down in the form of an 'Interinstitutional Agreement' between the European Commission, Council and Parliament. On a basis of a Commission proposal, the main negotiations take place within the Council and final decisions are agreed unanimously by the European Council (Nugent, 2006). The Commission and European Parliament need to agree to the deal. The debate on the Financial Framework is highly politicized and contentious (Nugent, 2006). This is one of the reasons why the process of proposing, discussing and negotiating agreement takes several years in total.

Financial Frameworks have been used since 1988 for periods of five to seven years. Until the Lisbon Treaty of 2009, however, they lacked a formal legal base. The Lisbon Treaty (TFEU, Art. 312) provides for Financial Frameworks to be established for periods covering at least five years. A regulation on the Financial Framework shall be agreed upon unanimously by the Council, with the consent of the European Parliament. This is not much different from the procedure that has been applied previously for adopting the Interinstitutional Agreements.

2.2 The Basics of EU Regional Policy

The Treaty on the Functioning of the European Union (TFEU, Art.174) refers to Regional Policy as follows: "In order to promote its overall harmonious development, the Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion. In particular, the Union shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions". According to the European Commission (European Commission Regional Policy, 2011) then, "the purpose of EU Regional Policy is to reduce the significant economic, social and territorial disparities that still exist between Europe's regions". It does so by providing funding out of the EU budget for projects that enhance this aim. In essence therefore, Regional Policy presents a redistribution of money from richer member states to poorer and less developed regions and member states. The policy operates according to a number of principles (European Commission Regional Policy, 2011a). First, 'concentration' should ensure that the major part of the funding is concentrated on the least developed regions and countries, on specific kinds of measures and according to annual allocations. Second, 'programming' should ensure that the funding is spent on coherent multiannual programmes that are in line with specific (EU) objectives and priorities. Third, 'partnership' means that all programmes are designed and implemented through processes that involve authorities at different levels of governance – from European to local – and civil society. It is here that the notion of 'multi level governance' has been used most prominently to describe the policy (Bache, 2004). Fourth, 'additionality' means that funding out of the EU budget should add to and not replace national spending on structural policies.

Currently, the three main funds through which money for Regional Policy is provided are the European Fund for Regional Development (EFRD), the European Social Fund (ESF) and the Cohesion Fund. The first currently finances investments in companies, infrastructure projects, financial instruments and technical assistance measures to support regional development, and the second concentrates on measures that improve employment and job opportunities. While money of these two funds is allocated to the European regions – as determined by the NUTS classification – money from the Cohesion Fund is allocated on a national basis and in order to finance environmental measures and infrastructure projects of European importance (European Commission Regional Policy, 2011b). The funds from which Regional Policy is financed are also called the Structural Funds. Regional Policy is therefore also often referred to as 'Structural Policy' or 'Cohesion Policy' – after its main objective. In this research project Regional Policy will mainly refer to the three funds just outlined since they constitute the current setting of the policy. However, before the current funding period, other funds were officially part of the policy. The Guidance section of the European Agricultural Guidance and Guarantee Funds (EAGGF) mainly financed projects in the area of rural development and the Financial Instrument for Fisheries Guidance (FIFG) financed fisheries-related projects. These funds now are now officially attached to other EU policies.

The amounts of money allocated from the funds are decided on the basis of detailed rules and eligibility criteria which are intended to determine the need for funding of a region or country. Several categories of funding are set up that differ in their objectives, the types of eligible regions, and the calculation of funding amounts. They usually include indicators such as GDP, unemployment and number of inhabitants. Rules, criteria and categories and therefore the allocation of the funding available for programmes and projects is set for a multi-annual period corresponding to that of the Financial Framework. With about 35%, Regional Policy presents, next to the CAP, a substantial share of the current Financial Framework. The main decisions on the overall budget for Regional Policy and for its allocation across different regions and countries are taken as a part of the agreement on the Financial Framework as a whole. The entire policy-making process concerning allocative decisions in Regional therefore looks as follows. First, the Commission presents its proposals on Regional Policy both within its proposals on the new Financial Framework and in a separate, more detailed proposal on Regional Policy. Second, the most important allocative decisions are negotiated and agreed upon by the European Council, and are part of the overall deal on the Financial Framework, subject to the procedure described in the previous section. Third, detailed regulations on the rules governing the allocation and programming of the policy are decided. Prior to 2007, they were to be agreed by unanimity in the Council and with the assent of the European Parliament (TEC, Art. 161). From 2007 onwards, qualified majority (QMV) became the voting rule in the Council, and since the Lisbon Treaty (TFEU, Art. 176) decisions regarding the Structural Funds are subject to the 'ordinary legislative procedure' which requires QMV in the Council and makes the European Parliament a full co-legislator.

3. Theoretical Framework

3.1 Introduction: A Political Perspective on the Financial Framework and Regional Policy

There are two possible ways of looking at Regional Policy in the context of the EU's multiannual Financial Framework. One is the *public policy perspective* which aims at analyzing the efficiency and effectiveness of the allocation of money to and within the policy. It therefore rather looks at the effect of allocative decisions. Although some these issues will briefly be touched upon at the end of the paper, the primary perspective chosen for this research project is a *political* one. As the aim of the research is to explain allocative decisions in the context of the negotiations on the Financial Framework its focus lies on processes of decision-making and resulting policy design.

Since policy design and processes of decision-making will be central to the research, a theoretical approach needs to chosen in order to analyze them within the broader institutional framework of the European Union. As touched on in the previous chapter, multi-level governance is the mode of European governance that is often used to describe the context in which EU Regional Policy is made and operates. It points to the different levels of actors involved in policy-making and implementation. As such, it does not, however, present a sufficient theory of the factors contributing to the allocation of Regional Policy funding.

A theoretical approach which seems suitable for this purpose is that of New Institutionalism (or Neo-Institutionalism). It claims that institutions - defined in a broad sense as any kind of organizational structures, rules, practices, customs, or norms - are important for determining decision-making outcomes and policy development. It therefore looks not only at different (political) actors and their interests, but at their interaction with all kinds of institutions. The remainder of the chapter will therefore be devoted to first describing New Institutionalism, its three prominent branches and how it has been used in the EU context so far. On the basis of this account, a framework for analysis will be developed. Important concepts and hypotheses derived will be derived from the theory and transformed into observable and measurable variables.

3.2 The New Institutionalisms

3.2.1 New Institutionalism

The essence of Institutionalism is that institutions matter in the study of politics. They are said to influence the choices of political actors (Meyer et al, 2007). Institutions are generally defined quite broad, and their exact definition differs according to the respective theoretical branch. They can range from formal decision and organizational rules and procedures to informal practices, norms, values and conventions. Institutionalism or 'Old Institutionalism' laid the foundations of the study of politics in the late 19th and first half of the 20th century (Peters, 1999, p.6). It is often presented as rather descriptive with little attention to theory. According to Peters (1999, pp.6), however, the theoretical approaches present in 'Old Institutionalism' were the 'central role of law in governing', the assumption that 'structure determines behaviour'. Scholars of the approach resorted to comparisons of whole political systems and related them to historical developments. New Institutionalism has developed as a response to behaviouralism which became popular in the 1950s and 1960s (Immergut, 1998; Peters, 1999). It focuses on observable political behaviour. New Institutionalists do not agree with the conviction that political behavior reveals preferences, reject that political decisions reflect the aggregation of individual preferences, and state that institutions are biased and political decisions are normative (Immergut, 1998). With the theoretical approaches they criticize, New Institutionalists, however, share a devotion to explicit theorizing and the use of analytical tools and in this sense go further than 'old' institutionalist accounts (Peters, 1999).

Three branches of New Institutionalism have been identified most commonly: Historical Institutionalism, Rational Choice Institutionalism and Sociological Institutionalism. All of them stress different kinds of interactions between institutions and actors within decision-making processes, and consequently "paint quite different pictures of the political world" (Hall & Taylor, 1996, p.936). In the following sections, the three branches will be presented shortly, with particular attention being paid to the interactions between institutions and political actors, and the way in which institutional change can occur. The New Institutionalisms have also been applied to the study of the European Union, which will be shown below. As a whole, therefore, New Institutionalism can be used to look at the design and allocative decisions in EU Regional Policy from different angles. Each of the three Institutionalisms will later be used to generate one hypothesis for answering the main research question of what explains the allocation of Regional Policy funding.

3.2.2 Historical Institutionalism

Historical Institutionalism is a branch of New Institutionalism which is concerned with the effect of institutions over time (Pollack, 2004). This strand of institutionalism is concerned with both formal and informal sets of institutions. Rejecting a functional explanation for institutional development, Historical Institutionalism stresses the role of existing institutional arrangements and the (asymmetric) distributions of power they produce in determining the evolution of policy and institutions. A central notion of this approach is 'path dependence', generally meaning that past institutional decisions constrain the options or paths available at later stages (Hall & Taylor, 1996; Pollack 2004), even though the circumstances in which the latter are taken may have changed. This can also refer to a situation in which an institutional choice made in the past will become 'locked-in' as the cost for reversing it grows and the relative benefits compared to other options increase over time. Such a phenomenon has been described by Pierson (2000) as 'increasing returns' or 'positive feedback processes'. Hall and Taylor (1996, p.941) refer to path dependence in relation to policies as a process in which "past lines of policy condition subsequent policy by encouraging societal forces along some lines rather than others, to adopt particular identities, or to develop interests in policies that are costly to shift". The degree to which such path dependence is exhibited varies according to the type of institution concerned (Pollack, 2004).

Historical Institutionalism is a theoretical approach that stresses the persistence of institutions and institutional paths over time. Nevertheless, scholars have also touched upon the instances in which institutional change is possible. Rapid and radical institutional change preceded and followed by phases of institutional stability is captured by the concept of 'punctuated equilibria' (Peters, 1999). The nature and features of the 'punctuations' which induce institutional change are, however, not well theorized. As a related concept, substantial institutional change is said to occur at 'critical junctures' (Hall & Taylor, 1996; Peters, 1999) which act as branching points that can lead the development of institutions onto a new path. Such junctures can come in the form of the combined efforts of various political forces (Peters, 1999), or events such as economic crises and military conflict (Hall & Taylor, 1996). Another possibility for change in line with the Historical Institutionalist perspective is that of rather incremental change or historically contingent institutional evolution which has been put forward as a way of adjusting institutions in the face of some 'dysfunctions' or 'unanswered questions' (Peters, 1999).

3.2.3 Rational Choice Institutionalism

Rational Choice Institutionalism "is especially interested in the extent to which and the ways in which institutions shape, channel, and constrain the rational actions of political actors" (Nugent, 2006, p.537). This strand of New Institutionalism assumes that political actors have fixed preferences and want to maximize the achievement of these preferences. The aim and reason for having institutions such as policies then are increased efficiency through decreased transaction costs, and they help solving 'collective action problems' (Hall & Taylor, 1996; Peters, 1999). In order to maximize utility through such institutions political actors need to engage in strategic interactive behaviour in which they are, however, constrained by their expectations on the preferences of other actors, and by certain features of the institutions themselves (Hall & Taylor, 1996). Important institutional features in Rational Choice Institutionalism are primarily 'formal' ones, like organizational and decision rules (Peters, 1999; Meyer et al, 2007). They can create a 'structure-induced equilibrium', "by ruling some alternatives as permissible or impermissible and by structuring the voting and veto power of various actors in the decision-making process" (Pollack, 2004, p.138). In that sense institutions have an impact on rational political actors in the pursuit of a 'logic of consequences' which governs their political interactions (Meyer et al, 2007).

Rational Choice Institutionalism does not pay much attention to accurately theorizing institutional change and the conditions under which it occurs (Hall & Taylor, 1996; Peters, 1999). Change is said to come about when an institution 'fails', i.e. when it does not succeed anymore in fulfilling its purpose in an efficient way. If this is recognized, institutional change becomes a 'conscious' rather than a continuous process (Peters, 1999).

3.2.4 Sociological Institutionalism

Sociological Institutionalism, sometimes also referred to as 'Normative Institutionalism', has been developed within the subfield of organization theory (Hall & Taylor, 1996; Immergut, 1998) and conveys rather constructivist viewpoints (Pollack, 2004). In several respects it is opposed to Rational Choice Institutionalism as described above. According to Sociological Institutionalists then, institutions do not necessarily reflect efficiency, but can be explained by cultural factors. Institutions are also very broadly defined, including norms and values, or "symbol systems, cognitive scripts and moral templates […]" (Hall & Taylor, 1996, p.947). Institutions can influence behavior because individual actors socialize with and internalize the normative structure in which they are embedded. Institutions therefore "affect the most basic preferences and very identity" of political actors (Hall & Taylor, 1996, p.948) or even 'constitute' actors (Pollack, 2004). The rationality of political actors is 'socially bounded', and institutions project a 'logic of appropriateness' which functions as the guiding force for political behaviour (Pollack, 2004; Meyer et al, 2007). Institutions in this sense rather provide social legitimacy than efficiency (Hall & Taylor, 1996).

According to Sociological Institutionalism, institutions receive their 'logic of appropriateness' from the society by which they are formed (March & Olsen, 1989, in Peters, 1999). Institutions are then also created by borrowing "from the existing world of institutional templates" (Hall & Taylor, 1996, p.935). Similarly, institutional change is said to follow the 'garbage can' approach to decision-making. This means that a "repertoire of stock responses is available when there is a perceived need to adjust policy" (Peters, 1999, p.33). These 'standard' responses are closely in line with the values and norms of the institutions and reflect its 'logic of appropriateness'. Furthermore, institutional adaptation and change can take place through processes of learning. Change appears rather 'at random' and may also have dysfunctional outcomes (Peters, 1999).

3.2.5 The New Institutionalisms and the European Union

New Institutionalism, including the three approaches just described, has among other things been employed to the study of the European Union, its development and its workings. Pollack (2004, pp.154-155) argues that New Institutionalism has a couple of advantages over the 'classical' theories that have been used to explain European integration, (neo)functionalism and intergovernmentalism. One of them is the fact that New Institutionalism has general applicability in politics and is not limited to explaining the EU. Due to its general applicability the approach also challenges the distinction between International Relations and Comparative Politics. Next to that, the New Institutionalisms have made great progress both in terms of theory and empirical testing. The principal weaknesses identified with the New Institutionalisms are – according to Pollack – their status of 'mid level theories' which provide no own account of European integration, and the "rather restrictive set of assumptions about the nature of actors and institutions" (Pollack, 2004, p.155) that is made by the Rational Choice approach. Against this background, it seems to be useful to examine more carefully the way in which New Institutionalism has been used in the context of the EU, and the resulting conclusions. Therefore, this section will provide a rather concise overview of theoretical and empirical insights that might be useful for the study of allocative decisions relating to Regional Policy. Scholars have not always made strict distinctions between the different New Institutionalisms. Often insights from the different strands have been combined with each other, especially Historical and Rational Choice approaches. For the sake of clarity, it will be attempted to distinguish between them here.

Historical Institutionalist approaches have been applied particularly often to the EU and its policies. Bulmer (1994, p.358) provides a good overview on the range of institutional features that can be looked at when applying (Historical) Institutionalist approaches to the governance of the European Union. He distinguishes between two categories, the 'institutions of governance' and the 'instruments of governance'. The former comprise the EU institutions and political actors themselves, their relations, as well as their internal organization, procedures and norms. The latter include the Treaties, constituent agreements, international law, secondary legislation, ECJ jurisprudence, soft Community or international law, and political agreements. In a later publication Bulmer (1998) analyzes the Single European Market Programme in the light of Historical Institutionalism, with the aim of portraying how institutions matter for European governance. He shows how institutions influenced systemic changes, governance structures, policy evolution, and also the normative dimension of governance of the Single Market. Important institutional features in this case included among others the strategic manipulation of procedures, ECJ activity, Commission entrepreneurship, the actions of the Commission President, and the strategic packaging of norms and ideas. Lindner and Rittberger (2003) analyzed the EU Budgetary Treaty of 1970 and subsequent budgetary negotiations in the light of Historical Institutionalism. They concluded that suboptimal long-term consequences of institutional choice are not necessarily unintended, and that not only external events, but also factors internal to the institution – such as certain constellations of actors and preferences – can initiate institutional change or induce 'punctuated equilibria'.

In his overview on New Institutionalist contributions to the study of the EU, Pollack (2004) refers to two important contributions that have clarified and developed further the understanding and workings of the concept of 'path dependence'. Scharpf (1988) made an effort in explaining the general state the EU at the end of the 1980s as one in which 'frustration and resilience' prevailed, without any prospect for either 'disintegration' or 'progress'. The answer to this paradox has been described by Scharpf as the 'joint-decision trap'. This pattern of policy choices often produces suboptimal policies in the long-term, by means of 'locking in' a policy. Three institutional conditions have been identified by Scharpf which bring about such a situation. Joint-decision traps can occur, first, when the EU member states are in control of taking decisions on EU policy. They are likely when, second, unanimity is the decision rule. Third, joint-decision traps are facilitated by a default condition, i.e. the fact that in the event of no agreement the 'old' policy will remain in place. Following this reasoning, Scharps marks the EU's Common Agricultural Policy as the prototype of such a 'trapped' policy.

Pierson (1996) also analyzed the conditions under which path dependence occurs in the EU. Starting from the perspective of intergovernmentalism and the assumption of EU member states as rational utility maximizers, he points to the reasons why gaps exist between member state preferences on the one hand, and actual policies and institutions on the other hand and why such gaps are hard to close again. As factors that create such 'considerable gaps in member state control' of institutions, Pierson (1996, pp.131-142) describes the following: the partial autonomy of EU institutions, the restricted time horizons of political decision-makers, the large potential for unanticipated consequences, and the shift in government preferences. Three additional factors are identified by Pierson which makes it hard for the member states to 'regain control'. First, he states that supranational actors are often resistant to changing institutions such as policies in favour of more member state control. Second, Pierson (1996, p.143) observes that EU institutions are often 'sticky' and therefore "specifically designed to hinder the process of institutional and policy reform". Third, Pierson (1996, p.144) points to the role of sunk costs and rising price of exit, stating that "individual and organizational adaptations to previous decisions [...] make policy reversal unattractive". He proves these points in an analysis of European Social Policy.

Rational Choice Institutionalism has also been used extensively to study the development and governance of the European Union. The work of Pollack (1996, 2004) provides good overviews on the various areas in which this perspective is helpful. Rational Choice Institutionalism as applied to the EU seems to focus on two broad areas. One of them is the delegation of authority to supranational institutions. Such accounts focus on the reason for delegation, as well as its effect. It has been shown that delegation of tasks to the European Commission, the ECJ or the European Central Bank in the form of a Principal-Agent relationship is sought because it lowers the transaction costs of policy-making for the member states (Pollack, 2004). The member states, however, are faced with the danger that their agents have own diverging preferences and seek to enact them. To counter this unintended effect of delegation, the member states can either establish oversight or sanctioning mechanisms (Pollack, 1996). Rational Choice Institutionalists view oversight procedures like Comitology as a mechanism for controlling and – if necessary – reducing the independent impact of the European Commission on policy (Pollack, 2004). Sanctioning possibilities include "the threat of budget cuts, of legislative overruling by the member states, and – most drastically – of a revision or cutting-back of the powers of the agent" (Pollack, 1996, p.446). However, the effectiveness of these threats and consequently the discretion of the agent depend on the voting rule and the default condition applying to the respective policy area (Pollack, 1996). Given the presence or absent of oversight and sanctioning mechanisms, it has been concluded that the ECJ has a greater independent effect on European integration and policy than the Commission, whose autonomy varies, however, across policy areas (Pollack, 1996).

A second area is the effect of voting rules and decision-making procedures on legislative outcomes. The effect of voting rules has already been briefly touched upon in the previous paragraph on the determinants for the autonomy of agents. Rational Choice Institutionalists suggest that the Council voting rule that applies in a certain policy area plays a role in determining the development of policy in that area. Unanimity rather obstructs policy development, while majority voting usually produces more integrationist and 'interventionist' policies (Pollack, 1996, p.435). Also the voting within the European Parliament has been subject to analysis based on Rational Choice Institutionalism (Pollack, 2004). Another issue studied in this context are the agenda-setting powers of the European Commission and Parliament. It has been concluded that 'informal' agenda-setting power by a supranational actor such as the Commission is greatest when "information is imperfect, uncertainty about future developments is high and/or asymmetrical distribution of information between the Commission and the member states favours the former" (Pollack, 1996, p.449). The impact of supranational EU institutions as 'formal' agenda-setters has been found to depend on the respective decision-making procedure, more specifically on the rules that govern voting and the acceptance of amendments. Majority voting for accepting a Commission proposal and unanimity requirements for amending it, as in the co-operation procedure, therefore maximize the Commission's powers (Pollack, 1996). Tsebelis has engaged in formal modelling of such decision-making process, with the aim of determining the agenda-setting powers of the Commission and the EP. His most 'famous' conclusion was that the European Parliament had actually lost some agenda-setting powers with the introduction of the Maastricht version of co-decision (Pollack, 2004).

Sociological Institutionalism seems to be the New Institutionalist perspective that has received the least independent attention in scientific literature on the EU. On the other hand, the effect of values and norms on European political processes has been referred to by a number of scholars who studied them along with the concepts provided by other New Institutionalist approaches. This is the case e.g. for Pollack (2004) who mentions processes of deliberation following a logic of appropriateness within Comitology committees as a proven alternative to the rationalist view of these committees serving as a control mechanism for EU member states. Similarly, one of the governance dimensions that Bulmer (1998) analyzed relates to the role of norms and values that are embedded in institutions. In his study on the Single Market Programme (SEM), he found evidence that the SEM "infused a new set of values among policy-makers and business elites alike" (Bulmer, 1998, p.381) which defined and impacted on later policy choices. Risse-Kappen (1996) puts forward a framework for analyzing EU governance that emphasizes among other things a better focus on ideas and values through a 'logic of communicative action'. He also makes suggestions of how to identify such processes in the EU, pointing to non-hierarchical and decentralized structures, stable networks, and consistently arguing actors who legitimize their actions by referring to ideas. Risse-Kappen also argues that a 'logic of communicative action' is more likely to be observed for 'history-making' EU decisions in a highly institutionalized context. An interesting contribution in this regard is that of Lewis (1998) in which he studied the processes of decision-making within COREPER. In line with Sociological Institutionalist reasoning he found a 'culture of compromise', a shared value of supranationality which is manifested in a 'collective responsibility to make the system work', and situations in which 'collective rationality transcends individual rationality'.

3.3 The New Institutionalisms, the Financial Framework and Regional Policy: A Framework for Analysis

Having introduced the New Institutionalisms and their previous application to the study of the European Union, these insights now need to be transformed into an analytical framework that can guide the research on the allocation of Regional Policy Funding. In the following sections, therefore, the most important concepts of the three New Institutionalisms will be discussed in their relation to allocative decisions on Regional Policy. This will produce hypotheses, a framework of variables and indicators, and their operationalization.

3.3.1 Hypotheses

The three branches of New Institutionalism considered above each stress different concepts. They convey different views on political interactions and the effect on institutions on them. Consequently, Historical, Rational Choice and Sociological Institutionalism can each be used to build up a possible explanation of the allocation of funding to and within EU Regional Policy. Each of the perspectives will be taken in turn now to develop hypotheses on the allocation of funding which will guide the analysis later on.

Historical Institutionalism

Historical Institutionalism focuses on the effect of institutions on political actors and their actions *over time*. As an explanation of the allocation of Regional Policy funding can also best be conducted by considering its evolution over time, this perspective seems to an important one for the analysis. A central concept of Historical Institutionalism is that of 'path dependence'. It explains the persistence rather than the change of institutional arrangements. An explanation of allocative decisions taken with regard to Regional Policy along Historical Institutionalist lines therefore needs to be based on an analysis of the degree of path dependence that persists within the Financial Framework and Regional Policy. Prior to the actual empirical analysis a few tentative points can be made on the basis of Scharpf's and Pierson's analysis of path dependence.

Applying Scharpf's (1988) concept of the 'joint decision trap' to the Financial Framework and Regional Policy gives some first theoretical indication on the degree of path dependence that might persist in these policies. The first condition for the joint decision trap to occur – the intergovernmental nature of decision-making - seems to apply for both the Financial Framework and Regional Policy. In both cases, the member states are important decision-makers although also the Commission and the EP are involved, especially in agreeing on the Interinstitutional Agreements that have governed the Financial Framework so far. The second condition – unanimity as the decision rule – also applies to both the Financial Framework and Regional Policy for the period studied. The third condition, however, - the default condition – is absent from both the Financial Framework and Regional Policy. Both are set for fixed periods and are dependent on periodic re-negotiation. This account shows that the allocation of funding to and within Regional Policy does not seem to be as path dependent as other policies, primarily the Common Agricultural Policy. However, given the unanimity requirement, a degree of path dependence or policy 'lock-in' is still very likely.

Following Pierson's (1996) analysis of path dependence, there are three factors that account for the persistence of institutions or policies over time. The first - the resistance of supranational actors to institutional change – might play a small role with regard to the Financial Framework and Regional Policy. The Commission and the European Parliament play a role in the decision-making process, however they do not have many individual competences in the allocation process that they might be afraid to lose when re-negotiating both decisions. Pierson's second factor is the 'sticky' design of institutions. This seems to be identical in essence to the things discussed in the context of the joint decision trap. Third, Pierson points to the role of sunk costs and the rising price of exit which makes an institution path dependent. This is quite likely to apply to the case of Regional Policy Funding. Especially the member states and regions have probably become adapted to their share of funding and therefore their expectations, preferences and ideologies concerning future policy choices are constructed accordingly.

All this implies that the total allocation of funding to Regional Policy and the allocation of funding within the policy are not totally locked-in. However, given the presence of some conditions for path dependence, changes to the allocation of funding both *to* and *within* Regional Policy are likely to be rather marginal and incremental. A very basic hypothesis that captures all the above considerations is the following:

Hypothesis 1:
The allocation of Regional Policy funding is determined by path dependence from previous allocative decisions

Historical Institutionalists also have put some thought in the instances under which institutions can overcome path dependence and institutional change is possible. Change is said to be most probably in the event of external challenges - like economic crises or military conflicts -, when 'dysfunctions' of the institution are discovered, or when constellations of actors and preferences have changed. Such possible 'critical junctures' will be looked for and taken into account in the empirical analysis.

Rational Choice Institutionalism

As described in the previous part of this chapter, Rational Choice Institutionalism is based on the assumption that (formal) institutions constrain political actors in the rational pursuit of their preferences. Political actors are therefore in a way 'bounded rational' and act according to a 'logic of consequences', as they have to take into account formal institutional roles and the behaviour of fellow decision-makers when trying to achieve their goals. For the allocation of funding to and within Regional Policy, this would mean that every political actor involved in the allocative decision-making processes wants to maximize its individual benefits from the policy, and engages in strategic behavior in order to achieve this goal as well as possible given institutional constraints.

This description primarily suits the member states, as the other decision-makers do not have 'own territories' that could be affected by the policy. The Commission and the European Parliament probably have different preferences instead. Furthermore, as with the Council, also within the Commission and EP there are likely to be different DGs, committees or parties that have different rational preferences, primarily with regard to the overall distribution of money within the Financial Framework.

Next to the preferences of other actors, the effect of decision rules is likely to influence the powers of the different actors and the strategies they can best pursue under such 'bounded rationality'. The unanimous decisions taken in the (European) Council make compromises necessary between the member states. They might require giving a bit to everyone so that all member states can agree. Also within the Commission and EP, the decision making rules and processes will affect the input theses actors give into the renegotiation of the Financial Framework and Regional Policy. The unanimity requirements do not benefit the Commission's role as a formal agenda-setter, and the European Parliament does seem to have a 'last say' on the Financial Framework. Given all this, allocative change is likely to reflect changes in preferences and/or power of political actors and the coalitions they might form.

On the basis of this the following hypothesis can be put forward:

Hypothesis 2:
The allocation of Regional Policy funding in one period is determined by the 'logic of consequences' which informs the preferences and strategies of political actors.

Sociological Institutionalism

Sociological Institutionalism stresses the importance of informal and cultural institutional features, such as the norms and values diffused by an institution. According to this strand of New Institutionalism, the preferences and identities of political actors can be influenced by such normative factors. They present another way of constraining them in otherwise more 'rational' decision-making. Actors follow a 'logic of appropriateness' so that policy outcomes are in line with the institutional norms and the commitments, duties and obligations produced by them. Decision-making in this context resembles rather 'deliberation' than 'hard bargaining'. According to Risse-Kappen (1996) such 'communicative action' rather occurs at 'history-making' EU decisions and in areas that are highly institutionalized. While the degree of 'history-making' of decisions relating to the Financial Framework and Regional Policy is arguable, at least decision-making in Regional Policy seems to be quite institutionalized.

The norms embedded in allocative decisions relating to Regional Policy are possibly those of 'redistribution', 'economic and social cohesion'. The Financial Framework, as well as the annual budget of the European Union, features a redistribution of money from richer 'net contributors' to poorer 'net beneficiaries'. It is therefore an exercise in 'solidarity' between the member states. This is probably even more true for Regional Policy which has as its original aim the fostering of 'economic and social cohesion' across the European regions. This implies that the allocation of funding *within* Regional Policy is primarily geared towards the most disadvantaged regions and that all political actors acknowledge this, and that the overall budget for the policy is adjusted to the needs of these regions. According to Sociological Institutionalism, the processes and outcomes of decision-making within the Financial Framework and Regional Policy should reflect these norms. Allocative changes – both on the overall budget of the policy and the allocation within the policy – then are likely to reflect changes in the composition of European regions in terms of the level of economic and social development.

The following basic hypothesis captures these considerations:

Hypothesis 3:
The allocation of Regional Policy funding is determined by the 'logic of appropriateness' which informs the behavior of political actors.

Expected Outcomes

The three New Institutionalisms and the hypotheses on Regional Policy derived from them are to a degree competing explanations. They are, however, not mutually exclusive. Especially an outcome according to Hypothesis 1 could well go together with either Hypothesis 2 or 3, and even the latter two might go together to some extent. It is therefore possible that all explanations can be confirmed to an extent. An analysis on the allocation of Regional Policy funding in previous and current periods will then have as its goal to determine which combination of hypotheses or which elements of the three New Institutionalist approaches can best account for the development of the policy, and whether patterns can be observed. In that way, it will also provide an indication of what needs to be taken into account when making a prediction about future allocative decisions.

3.3.2 Concepts and Variables

Basic Theoretical Framework

The hypotheses that have been derived feature the most important concepts that will be addressed in the analysis of allocative decisions later in the chapters to come. These are 'path dependence', 'logic of consequences' and 'logic of appropriateness'. Figure 3.1 presents them in the full theoretical framework. It displays them as influencing the concept 'Regional Policy funding'. This concept has two allocative components: the total budget for Regional Policy (or: the allocation of funding *to* Regional Policy), and the allocation of funding within the policy. Both are decided in the negotiations on the EU's Financial Framework.

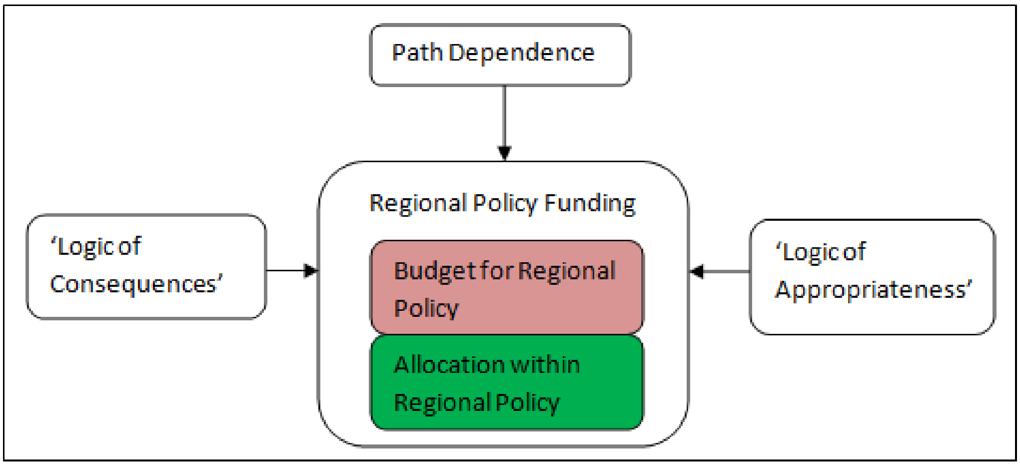


Figure 3.1: Basic Theoretical Framework

Refined Analytical Framework

In order to conduct an empirical analysis on the allocation of Regional Policy funding, the basic theoretical framework needs to be specified even further so that it displays the complete causal relationships that can be derived from the theories if New Institutionalism and the hypothesis that have been developed. By doing this it will also become more clear what kind of observations need to be made in the analysis.

The refined analytical framework that describes the hypothesized causal relations most accurately is shown below in Figure 3.2. It displays the positions of the political actors involved in the allocative decision-making processes as directly impacting on the dependent variables, the budget for Regional Policy and the allocation of funding within the policy. The most important political actors in the decision-making processes that take place at the European level are the member states, the European Commission and the European Parliament. The positions put forward by these (groups of) actors present one layer of independent variables.

The primary message of New Institutionalism is that institutions matter for policy outcomes. They are the ones that constrain and structure the positions that the political actors put forward in the decision-making process within the (European) Council and subsequent negotiations on the Interinstitutional Agreement and the legislative package on Regional Policy. This is captured in Figure 3.2 by a second layer of independent variables that is placed above the first one and has an impact on it. The variables in this second layer are those specified in the hypotheses and the basic theoretical framework. First, there is 'previous allocative decisions' which is derived from the concept of 'path dependence'. Previous allocative decisions and the institutions around which they are built are therefore expected to have an impact on the range of positions available to political actors. Second, there is '"Rational" Calculations' which is the derived from the Rational Choice Institutionalists 'logic of consequences'. It means that the political actors base their positions on calculations directed at maximizing their individual benefit from Regional Policy, thereby taking into account formal institutional constraints such as unanimity voting. Third, 'Commitments, Duties, Obligations' is derived from the Sociological Institutionalist 'logic of appropriateness'. It means that the positions of the political actors are informed by the institutional values of the Financial Framework and Regional Policy, most likely those of 'redistribution', 'solidarity' and 'economic and social cohesion' which commits them to act accordingly. The interaction of the actor positions with the institutional factors is then reflected in the policy outcome on Regional Policy funding.

The analytical model based on New Institutionalism does not display an exhaustive list of independent variables that might be relevant when analyzing allocative decisions in Regional Policy. The context in which the decisions are taken in the (European) Council is also likely to have an impact on the final outcomes. Finally, institutional factors other than those included in the three institutional variables might have an influence. Under the label 'Context of Policy-Making' all these factors are included in the analytical framework. They will be taken into account in the analysis, but will not be further specified in order to allow for a bit of flexibility in what seems decisive in the cases that will be studied.

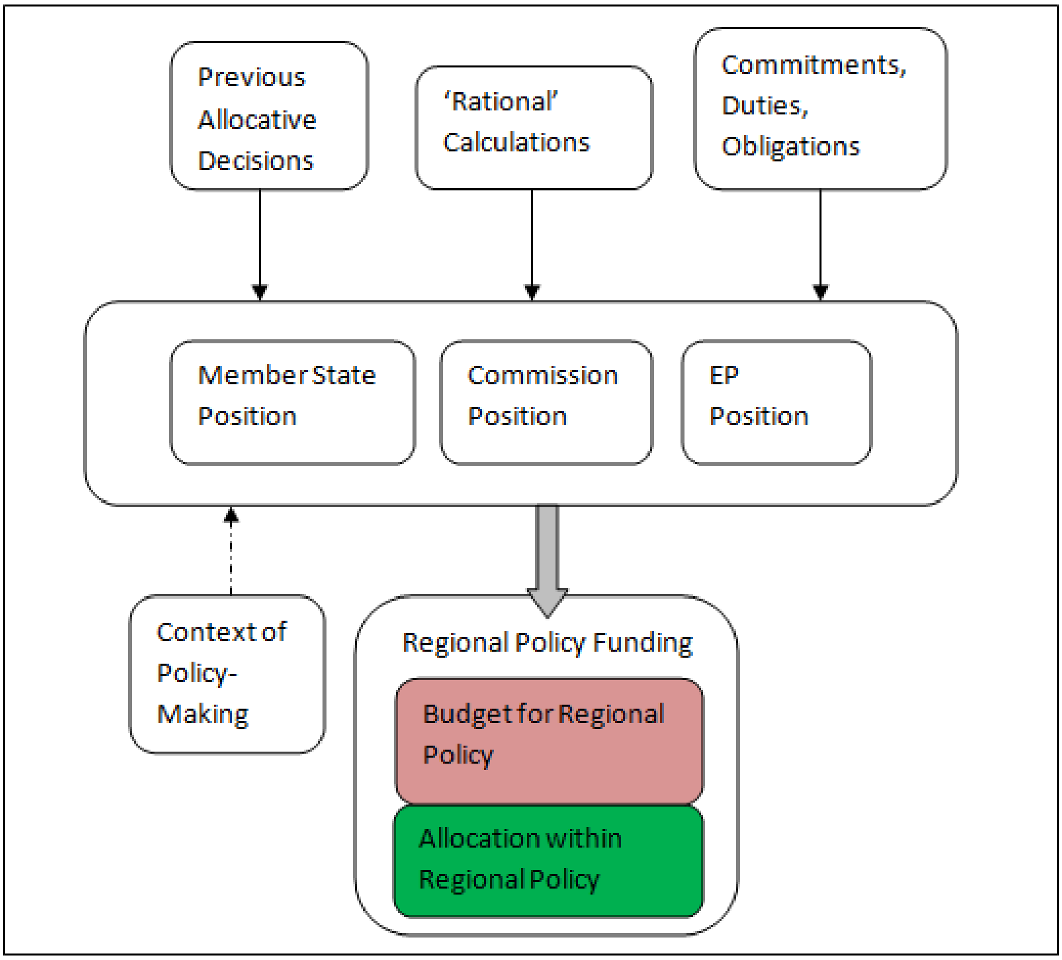


Figure 3.2: Analytical Framework

3.3.3 An Approach for Studying European-Level Decision-Making

Before proceeding with the operationalization of the variables that were specified, the important issue of *how* to actually study European-level negotiations needs to be addressed. The primary negotiation setting that will be studied is the (European) Council, as finding agreement among the EU member states seems to be the core of both decision-making on the Financial Framework and Regional Policy within it. According to Heisenberg (2008), the most valuable research on the workings of the Council needs to be qualitative and empirical in its nature. The present project will be designed in such a way. Yet, analyzing the decision-making processes within the Council is likely to be difficult as not all information on proceedings of the negotiations and preferences of the actors is made public in an explicit way.

A basic model for analyzing decision-making processes of the Council is to simply compare inputs and outputs. In this model the Council is seen as a 'black box' (Heisenberg, 2008). The inputs are the Commission proposals as well as the initial preferences of the member states (and – if applicable- the European Parliament). The output in this case is the content of the final decision that is taken and made public. Comparing inputs and outputs then gives some clues as what might have happened in between and what causal mechanisms might be at work. The research project will follow this very basic approach, trying – whenever possible – to supplement data on inputs and outputs by data on what happened within the 'black box'. This way, the central research question "*How can the allocation of Regional Policy funding be explained?"* cannot be answered with full certainty on causality, but evidence that points to a possible answer will be provided.

Caution is also required with regard to the distinction between 'stated' and 'revealed' preferences of the political actors. Analyzing Council negotiations therefore requires very careful and time-consuming data collection, otherwise the validity and reliability of the research are questionable. At the end of the next section it will be described how such problems can be avoided.

3.3.4 Operationalization: Indicators and Measurement

The variables of the refined analytical framework need to be measured. Therefore, operational definitions and indicators for all variables are required that are in line with the approach of studying the Council that has just been outlined. This means that the three main independent variables will each be analyzed by an indicator on inputs (actor positions) and outputs (the content of the final policy outcome). Because the study aims at determining the fit between different theories and empirical findings by means of a congruence analysis, each indicator will be geared at establishing the degree of congruence between theoretically informed predictions on an independent variable and the actual findings. Also the method for measuring each indicator will be addressed. Furthermore, possible pitfalls and problems associated with the chosen indicators and ways of measurement will be discussed. Each variable will be addressed in turns.

Indicators

Budget for Regional Policy
Allocation within Regional Policy

Combined, these two parts will form the dependent variable 'allocation of Regional Policy funding', the output of the decision-making process within the (European) Council. 'Budget for Regional Policy' refers to the absolute sum of money allocated to Regional Policy by the multiannual Financial Framework of the European Union, where Regional Policy comprises the money made available for the Structural Funds (European Fund for Regional Development, European Social Fund, and Cohesion Fund). It will be of particular importance whether the budget for Regional Policy is held constant, increases or decreases. 'Allocation within Regional Policy', the second part of the dependent variable refers to the allocation of the overall budget for Regional Policy *within* the policy, across different categories of regions. The relative shares distributed to each category and the resulting 'winners' and losers' of the allocation (in terms of countries) will be of importance. Data on this variable will be obtained by studying the official documents on the decisions taken, supplemented where appropriate by prior scholarly analyses on the issue.

Member State position
Commission position
EP position

Every piece of data, primary or secondary, in which any of these actors in combination with a statement on an aspect of Regional Policy is mentioned will be taken as the position of the respective actor. However, as validity and reliability of the results need to be ensured, primary sources on preferences (obtained from documents or interviews) will be preferred, and it will be tried to minimize reliance on secondary sources.

Previous Allocative Decisions

This variable tries to capture the concept of path dependence, i.e. the way in which previous allocative decisions on Regional Policy affect later ones.

A first indicator can be the *degree to which the positions of the political actors are linked to previous allocative decisions*. If they express preferences that aim at preserving the status quo of the policy, then path dependence might exist. This 'congruence between current positions and previous allocative outcomes' will be determined by analyzing the presence of the following observations concerning actor positions:

- Preferences for no or only marginal changes to the overall budget for Regional Policy
- Preference for no or only marginal changes to the allocation of funding across different categories
- Preferences for no or only marginal changes to the eligibility criteria and funding rules for regions and countries
- Preferences for no or only marginal changes to the (own) shares/amounts of funding
- Willingness to change eligibility criteria and funding rules in order to receive the former amount of funding

This indicator will be measured by ways of desk research into primary sources and interviews with policy experts and civil servants.

A second indicator for possible path dependence will be the *congruence between the allocative outcome in question and the previous allocative outcome*. In line with indicator 1 the degree of congruence between outcomes of consecutive periods will be measured by analyzing to what extent the following observations can be made:

- No or only marginal changes to the overall budget for Regional Policy
- No or only marginal changes to the allocation of funding across different categories
- No or only marginal changes to the eligibility criteria and funding rules for regions and countries
- No or only marginal changes to the shares/amounts of funding between countries

- Changes to eligibility criteria and funding rules which preserve former allocative amounts/shares

Congruence can be determined by looking at primary documents, supported by secondary sources when appropriate.

One needs to be aware that providing evidence for causal mechanism that involve path dependence is quite difficult, especially within the 'input-output' approach. The two indicators presented here can merely account for two elements of causality, the temporal order and correlation between past and present events. Alternative explanations cannot be ruled out completely by these two indicators. Such explanations could even be those relating to the other independent variables studied. In short, therefore, the validity of the indicators is not very high. There is, however, the possibility that the context in which the decision-making processes take place can enhance the validity of the two indicators. Path dependence is likely to be an explanation if the congruence between consecutive allocative outcomes and/or the link between preferences and previous allocative outcomes is significant also when the national or European circumstances have changed in ways that do not necessarily justify the positions or outcomes at hand. When measuring and discussing the indicators, attention will be paid to identifying such circumstances.

'Rational' Calculations

This variable will be used to determine the extent to which cost-benefit analyses and utility maximization by the political actors - constrained by formal institutions - impact on the allocative decisions for Regional Policy that are taken on the European level.

A first indicator will be the actual *presence of initial actor positions that reflect 'rational calculations*'. For different types of countries, such a position might look different. In order to measure the score of this indicator, member state positions will be analyzed according to the extent to which they include the following views:

- High/increased budget for Regional Policy (poor member states/ net recipients)or low/limited budget for Regional Policy (rich member states/ net contributors)
- Increased own amounts/shares of funding, directly or via changed eligibility and funding criteria
- Decreased amounts/shares of funding for other member states/ types of regions
- No worsening of own payment position
- References to detailed calculations that support (some of) these arguments

The presence of such positions will be measured by desk research into primary and secondary sources. Additional valuable insights will be gained through the interviews.

As a second indicator, it will be determined whether and to what extent the actual allocative outcomes reflect 'rational calculations'. Given unanimity as the decision rule in the (European) Council, the 'ideal typical' policy design showing the most congruence with positions based on 'rational calculations' will be one in which every member state is benefitting to some extent from the allocative decisions, the positions of many actors or coalitions are reflected, and an overall compromise is reached. The following observations on preferences on the *'congruence between allocative outcomes and rational calculations'* will be analyzed:

- Funding is provided to all member states

- Many exceptions to eligibility criteria and other rules are part of the outcome
- Direct links between ‘rational’ preferences (as measured by in indicator 1) and provisions in the outcome can be established
- A ‘low or limited’ budget for Regional Policy is met with allocative compensations to the net recipients or a ‘high or increased’ budget for Regional Policy is met by allocative compensations to the net contributors

This indicator will be measured by desk research into both primary and secondary sources. The interviews might provide additional insights.

Much reliance on face value provides a potential danger to the validity and reliability of the measurement for the variable, its indicators and observations. It will therefore be tried to cross-check as much as possible between different data sources, and also to use interviews as a means of validating information and providing missing data.

Commitments, Duties, Obligations

This variable will determine the influence of normative institutional factors on allocative decisions on Regional Policy.

A first indicator can be the *extent to which initial actor positions reflect the norms of Regional Poli*cy (such as ‘cohesion’, ‘solidarity’ or ‘redistribution’) and resulting ‘commitments, duties and obligations’. The extent to which the following observations can be made will be analyzed in the actor positions:

- References to ‘cohesion’ and ‘solidarity’ as important policy goals
- Preference for a concentration of the largest share of funding to the most disadvantaged and lagging regions member states
- Eligibility criteria and funding rules geared towards a concentration of funding in the most disadvantaged regions, no exceptions
- A budget for Regional Policy that reflects (changes to) the number of less developed regions

This can be done by desk research - including primary and secondary sources -, supplemented by statements from interviews.

A second indicator will be the *degree of congruence between normative factors and the actual allocative outcome*. It will be assumed that the norms underlying Regional Policy and the Financial Framework produce outcomes which stress the most disadvantaged European regions as the primary beneficiaries of Regional Policy and that - depending on the number and needs of these regions - the overall budget should be set accordingly. The following observations need to be analyzed in order to reach a conclusion on this indicator:

- A budget for Regional Policy that reflects (changes to) the number of less developed regions
- eligibility criteria geared towards a concentration of funding in the most disadvantaged regions, no exceptions
- A concentration of the largest share of funding to the most disadvantaged and lagging regions and member states, reflecting changes to the number of these regions and member states

This indicator will be measured by a combination of desk research into secondary sources, and statements from the interviews.

Like above, the reliable and valid measurement of this variable may suffer from too much recourse to face value and secondary sources whose accuracy might be questionable. Also, a problem of being unable to distinguish between 'stated' and 'revealed' preferences might occur, which decreases the validity of the first indicator one. In combination with the other indicators, however, and by cross-checking data sources, this problem can be alleviated.

Measurement

In order to be as precise as possible when measuring the indicators, it is necessary to determine the kind of scores they can take. A simple ordinal scale will be constructed in which the indicators can take on the values 'high', 'medium' and 'low'. Before doing so, each observation of each indicator will be given a code and a score. They will be counted according to the following scheme and principles:

Code	Numerical Score	Awarded when:
yes	1	clear empirical support for expected observation no or very little empirical evidence against expected observation
(yes)	0.5	some degree of empirical support for expected observation less empirical evidence against expected observation
yes/no	0	equal empirical evidence in favour and against expected observation
(no)	-0.5	some degree of empirical evidence against expected observation less empirical evidence in favour of expected observation
no	-1	Clear empirical evidence against expected observation no or very little empirical evidence in favour of expected observation

Table 3.1: The Assignment of Codes and Scores to Observations

- The final score of an indicator will be the sum of all numerical scores of the observations
- The final scores for each variable is defined as the average of both indicators
- Within the input indicators, observations will be made for several different political actors and across different observations. The scores on each observation and country will be added up and divided by the number of actors or observations studied. The final numerical score of the input indicators is defined as the average of the scores across countries and the scores across observations.
- For reasons of simplicity it will be assumed that each observation, each country score and each indicator have the same weight in the final calculations. When the outcome will be discussed, attention will, however, be paid not only to the final calculated scores, but also to single elements in them.

All final numerical scores on countries, observations, indicators and variables will be translated into an ordinal scale according to the scheme specified in Table 3.2. A score of more than '1' means that the respective independent variable is set to have a high impact on the respective aspect of Regional Policy funding or the respective country position, while a score of less than '-1' means a low impact. Both of these scores have been chosen as thresholds because an indicator needs to have a majority of either positive or negative scores on observations in order to pass them.

Code	Numerical Score	Meaning
High	>1	The respective independent variable has an important impact (on Regional Policy funding)
medium	Between - 1 and 1	The respective independent variable has some impact (on Regional Policy funding)
low	<-1	The respective independent variable has a low impact (on Regional Policy funding)

Table 3.2: Ordinal Scale for Coding the Total Scores on Countries, Observations, Indicators and Variables

One of the qualities that a good method for measurement should have is reliability, i.e. it should yield the same results if repeated. While the way of calculating the scores of the indicators and variables and their translation into an ordinal scale is very reliable, the assignment of scores to the observations is likely to suffer from a problem of reliability. This is the case because it is very hard to fully and consistently quantify the empirical findings on the different observations beyond the rather vague descriptions that have been given. It might therefore be possible that third persons might interpret the empirical evidence in a slightly different way and therefore assign different scores to some of the observations. The outcome of the formal analysis of the determinants for Regional Policy funding should therefore be seen as a tendency rather than a strictly reliable measurement.

Expert Assessments

An additional method for explaining Regional Policy funding is to directly ask for an assessment of the explanatory power of the three hypothesized variables in the expert interviews. Due to the fact that the primary purpose of those interviews is gaining more information on the negotiations and on actor positions, such an expert assessment cannot be done in a rigorous way as the measurement described above. It will therefore not be quantified, and the interviewees will be free to come up with their own associations as to what the exact meaning of the different variables is, and how their impact can be assessed. In the discussion of the measurement specified above, their views will be used as an addition to the actual analysis. This way, they might enhance both the validity and reliability of the analysis as a whole.

Methods of Inquiry and Possible Pitfalls

This research project will consist in part of desk research. Information on how the allocation of Regional Policy funding has developed in the past and who the main beneficiaries were/are can be derived from policy documents and official statistics. Specific information on the negotiation processes can be assembled with the help of scholarly articles and books, information and documents found on the websites of the European institutions and national governments as well as media records. The latter sources can also be used in order to obtain information on the current situation. Use will therefore be made of primary and secondary sources.

Additionally, useful and more in-depth information will be acquired through interviews. Interviewing policy makers and/or experts for the field of the EU budget or Regional Policy can shed light on preferences, determinants of policy developments, and current debates. It might therefore contribute to both the explanation of past allocative policy developments and the forecast on future budget and policy design. The experts interviewed are representatives of member states or regions. As the best method for conducting the interviews, a 'semi-structured' approach has been chosen. This gives the interviewer the chance to determine the content of the interview to some extent, but still allow for flexibility in the exact aspects treated. This method can also be referred to as 'qualitative interviewing' (Babbie, 2007, p.306).

As already indicated above, the chosen indicators and methods of inquiry come with pitfalls that need to be accounted for as good as possible. The most important of them is the distinction that needs to be made between 'stated' and 'revealed' preferences of political actors, meaning that the position that an actor states might not correspond to his actual position. The danger of treating stated preferences as the actual preferences of political actors is always present, but can be reduced. First, 'triangulation' or cross-checking between different data sources and methods of inquiry will be attempted as much as possible in order to verify all obtained data. Second, the expert interviews need to be designed in a way as to minimize the risk of getting 'socially desirable' answers. Questions will therefore be carefully designed in a non-biased way. Furthermore, it is hoped that the time gap between the cases studied and the interviews will allow for 'honest' answers, not driven by the desire of keeping preferences secret. On the other hand, however, the time gap might have a negative impact on the accuracy and reliability of the statements and assessments. Careful cross-checking of different data sources and methods of inquiry might in the end also reduce this problem to some extent.

Summary

The following table summarizes the operationalization of the three main independent variables.

Concept	Variable	Indicator	Level of Measurement	Method of Inquiry
Path Dependence	Previous Allocative Decisions	Input Indicator: Link between actor positions and previous allocative decisions	Ordinal	Desk Research + Interviews
		Output Indicator: Congruence between allocative outcome and previous allocative decisions	Ordinal	Desk Research (+ Interviews)
Logic of Consequences	Rational Calculations	Input Indicator: Link between actor positions and 'rational' calculations	Ordinal	Desk Research + Interviews
		Output Indicator: Congruence between allocative outcome and rational calculations	Ordinal	Desk Research (+ Interviews
Logic of Appropriateness	Commitments, Duties, Obligations	Input Indicator: Link between actor positions and commitments, duties and obligations	Ordinal	Desk Research + Interviews
		Output Indicator: Congruence between allocative outcome and commitments, duties and obligations	Ordinal	Desk Research (+ Interviews)

Table 3.3: Summary of the Operationalization of the three main Independent Variables

3.3.5 Case Selection

After having specified the measurement of the variables that have been hypothesized to have an impact on Regional Policy funding, a last step before conducting the actual analysis is to specify the cases that will be looked at. Choices on two 'kinds' of cases need to be made: on the overall cases to be studied (i.e. the decision-making processes on the EU Financial Framework and Regional Policy), and on the countries whose 'inputs' into the decision-making process will be studied within the overall cases. Both choices will be discussed now, along with their implications for the validity and reliability of the research results.

Overall Cases

A selection needs to be made from the decision-making processes and outcomes on the EU Financial Framework and Regional Policy funding that have taken place up to now. In total, four such cases are available: the processes and outcomes for the time periods 1988-1993, 1994-1999, 2000-2006 and 2007-2013. However, it is likely to be very difficult and time-consuming to find sufficient data on the early periods, especially on the decision-making process and member state positions. For feasibility reasons, therefore, - and in order to make adequate predictions on future policy outcome - the decisions taken for the current period (2007-2013) will be the main case for examination. Another 'case' will then be the upcoming allocative decision for the period from 2014 onwards for which a 'forecast' will be developed based on insights from the other cases. The focus on a single case for drawing conclusions on the determinants for Regional Policy funding, and for making a forecast on future policy developments will not have a very high degree of external validity. Therefore, in order to better position this case and the forecast in terms of patterns and developments, the main allocative developments in the area of Regional Policy for the period up to 2006 will be sketched briefly, without a detailed analysis and measurement of the variables and indicators that have been specified. By choosing a design that combines a single in-depth case study with an overview of older and a forecast on future cases it will be attempted to enhance the external validity of the inferences made and extend them beyond one funding period.

Countries

For feasibility reasons (data availability, constraints in time and scope of the research) it is possible to analyze the positions on Regional Policy of only a small number of EU member states. A choice needs to be made which country 'inputs' will be taken into account in the analysis of the 2007-2013 period.

As a random sample of several member states runs the danger of only representing a small range of different country positions, it makes sense to select countries in a more deliberate way. This can be done by determining different groups of countries that are likely to have similar positions on Regional Policy funding. Groups that can be distinguished in Regional Policy funding are likely to be those countries that benefit a lot from Regional Policy funding and those that do not. As will also be shown in the upcoming chapters, a further distinction can be made between net contributors and net recipients of funding from the EU budget as a whole. If one assumes that countries belonging to all of these groups have different positions on Regional Policy funding, analyzing one representative of each group can be justified. Within these groups, the easiest - but not the most valid way - of choosing a country is by data availability.

The countries whose inputs will be analyzed in Chapter 5 are shown in Table 3.2. As a country that benefits a lot from Regional Policy funding and is a net recipient of EU funding as a whole, Spain will be chosen for the analysis of 'inputs' to the 2007-2013 funding period. To account for the special case of enlargement of the EU in 2004, Poland will be chosen as a second country for the group of net recipients of funding out of the EU budget, as it did not receive a large amount of Regional Policy funding up to 2006 (see Chapter 5 for further explanations). The country that will be analyzed because it is a net contributor to the EU budget and does not benefit much from Regional Policy funding is the Netherlands. Lastly, Germany will be analyzed as a country that receives a rather large sum of Regional Policy funding but is also one of the major net contributors to the EU budget. It is likely that some EU member states rather belong to a group 'in between' those that have been mentioned. As such, however, it can be assumed that these countries will have a less strong position on Regional Policy funding and will therefore not be very decisive in the decision-making process. It therefore makes sense to stick with the four countries that have been portrayed.

	Net Contributor to EU Budget	Net Recipient of EU Budget
Large Amount of Regional Policy Funding	Germany	Spain
Small Amount of Regional Policy Funding	Netherlands	Poland

Table 3.4: The Selection of EU Member States for the Analysis of 'Inputs' into the Decision-Making Process on Regional Policy Funding for 2007-2013

Overall, the choice for only four countries out of 25 decreases the validity of the inferences that will be made in a not insignificant way, as no complete picture on the inputs to the decision-making process on Regional Policy funding is given. By a country selection among different groups of member states, it is attempted to balance out this deficit to some extent. However, it cannot be ruled out that a focus on a different set of countries - even among the groupings identified - would yield different results. Thus, the inferences to be made on country inputs are also not perfectly reliable in that regard.

4. Regional Policy Funding: 1988-2006

4.1 Introduction

This chapter will provide an overview on Regional Policy allocation for the period from 1988 - the 'birth' of Regional Policy in its current form and the first Financial Framework - until 2006, the last year of the budgetary and allocative arrangement of the period preceding the current one. This current period will be subject to the empirical analysis in the next chapter. The 'history' of the allocative aspects of EU Regional Policy will be told without too much recourse to details, as this is beyond the scope of the research project. Nevertheless, it is important to get familiar with the development of this policy issue over time, for several reasons. First, a historical account will illustrate in what ways decisions on Regional Policy allocation are embedded in the multi-annual Financial Frameworks of the European Union. Second, it will enable for an overview of broad trends in spending and distribution of the money for the policy which will allow for and facilitate the classification of the latest allocative decisions and current debates. This will be of importance later on when analyzing the impact of the concept of 'path dependence'. Third, a historical overview might point to important contextual factors that should be taken into account when analyzing Regional Policy allocation in the context of the Financial Framework. Fourth, some first clues on the explanatory power of the theoretical framework developed in Chapter 3 might be provided. These four aspects will be addressed in the comparative assessment of the historical account and in the conclusions of the chapter.

4.2 The Development of Regional Policy Funding: A Historical Account

4.2.1 Regional Policy before 1988

Regional Policy in its current form was created in 1988. Before that, money from the Structural Funds was mainly used to subsidize national regional development policies. The ERDF was created in 1975 and its funding was allocated across all member states according to national quotas that were negotiated within the Council for periods of three years (Bache, 1998; Bachtler & Mendez, 2007). The member states could apply for project funding from the ERDF only for those areas eligible for national structural interventions. Only gradually, a component of non-quota-related spending for 'Community Initiatives' designed by the Commission was added, and the programming approach was introduced. The total amounts for Regional Policy and its share of the budget were modest, but steadily increased (Bache, 1998; Leonardi, 2005).

4.2.2 1988-1992: Regional Policy and the Delors-1 Package

The 1988 reform established the key elements of today's EU Regional Policy. The principles of concentration, programming, partnership and additionality were made the guiding rules of the policy. Five objectives for targeting funding of the ERDF, ESF and EAGGF were agreed upon (Bache 1998):

- Objective 1, promoting the development of the least developed regions
- Objective 2, addressing regions seriously affected by industrial decline
- Objective 3, combating long-term unemployment

- Objective 4, assisting in the occupational integration of young people
- Objective 5, a) accelerating the adjustment of agricultural structures, and b) promoting development in rural areas

Furthermore, 9% of the ERDF funding was agreed to be spent on a number of 'Community Initiatives' (Bache, 1998). Objectives 1, 2 and 5b were given a real spatial focus in that Community-wide criteria were agreed in order to determine which regions could receive funding under these objectives (Bachtler & Mendez, 2007). For Objective 1, only those regions with a GDP per capita of around or less than 75% of the Community average were eligible. However, exceptions to such rules and provisions for 'special cases' were granted (Bache, 1998; Bachtler & Mendez, 2007). In financial terms, the budget for the three major funds was doubled for the period of 1989-1993; in 1993 expenditure on Regional Policy amounted to 25% of the EU budget (Bache, 1998). By far the greatest share of funding (61.5%) was allocated to Objective 1, and the Mediterranean countries (Italy, Spain, Portugal, Greece) were the main beneficiaries of the policy (Leonardi, 2005).

The reform of Regional Policy in 1988 is being ascribed to two major developments. First, the Community's Southern enlargements of 1981 (Greece) and 1986 (Spain and Portugal) added many less developed regions and increased the regional disparities within the Community (Bache, 1998; Allen, 2000). Second, the Single European Act with its main focus of completing the single market also included articles on 'economic and social cohesion' as a goal of Community policy (Bache, 1998; Laffan & Shackleton, 2000). Combined, they provided a strong rationale for expanding Regional Policy and focus it on those regions lagging behind. Expanded structural expenditure and the inclusion of the goal of cohesion was also seen as a side payment from the prosperous member states to the Mediterranean ones in order to secure a deal on the single market (Bache, 1998; Allen, 2000; Hooghe & Marks, 2001). The switch from national control to Community-wide eligibility criteria could then be explained by the position of the net contributing member states that funds for the lagging regions need to be spent in an efficient and effective way (Bache, 1998).

The debate on the reform of Regional Policy took place within the wider debate on the first Financial Framework, later to be named after Commission President Delors. The Commission presented its proposals for a medium-term financial agreement for 1989-1993 as facilitating the just agreed Single Market Programme (Laffan & Shackleton, 2000). Next to the doubling of the budget for Regional Policy, the final deal on the Delors 1-package included an increase in the financial resources available (1.2% of Community GNP), and introduced the GNP-based own resource of the EU budget. It provided for tighter and binding budgetary discipline to contain expenditure on the CAP within a set limit, and for the continuation of the UK rebate, and arrangement under which this country contributes less than its normal share to the budget (Laffan & Shackleton, 2000). Between June 1987 and February 1988 the negotiations on the package took place at the highest level. The main division was between the poorer states who sought a larger budget and the 'paymasters' or net contributors who wanted to limit such increases. The final deal was possible because the German Presidency's push for agreement, even if this increased its own net contributions (Laffan & Shackleton, 2000).

4.2.3 1993-1999: Regional Policy and the Delors-2 Package

In 1993, provisions for a new period of Regional Policy entered into force. The objectives remained roughly the same, with Objectives 3 and 4 slightly changed, the FIFG added as funding source for fisheries-related issues, and an Objective 6 added to address the needs of sparsely populated areas

(Bache 1998, Leonardi, 2005). The total budget for Regional Policy for the member states - including Austria, Finland and Sweden who joined the EU in 1995 – was set at almost 167 billion ecu which again doubled the committed expenditure compared to the previous period (Leonardi, 2005). Regional Policy spending now amounted to about a third of the EU budget. Included in these figures was also a new fund, the Cohesion Fund, designed to finance infrastructural and environmental projects in the member states whose GDP per capita was below 90% of the EU average. Greece, Spain, Portugal and Ireland were the recipients of the almost 15 billion ecu allocated to the fund (Bache, 1998). In terms of the regional allocation of funding, the rules set remained largely the same, with the member states, however, gaining greater powers in designating the regions eligible for funding under objectives 2 and 5b (Bache, 1998; Bachtler & Mendez, 2007). Again, the final allocation for Objective 1 also included regions formally not eligible. They had been added as a result of pressure from the respective member state (Bache, 1998). However, the share of funding allocated to these 'additional' regions only amounted to 1.7% of the budget for Objective 1 (Bachtler & Mendez, 2007). The share of Regional Policy funding going to the least developed regions under Objective 1 and the Cohesion Fund increased to almost 68% (Bache, 1998). The Mediterranean countries and Germany (due to unification) were the main beneficiaries of funding in this period (Leonardi, 2005).

The 1993 decision on Regional Policy allocation was taken within the process of negotiating the EU's Financial Framework for 1993-1999, the Delors-2 package. This in turn was proposed by the Commission very shortly after the Treaty on European Union (TEU) had been signed in Maastricht in December 1991. The TEU included a 'complex intergovernmental bargain' of which the strengthening of the cohesion goal and the structural funds was a central element and a preliminary agreement on the objectives for funding was found (Allen, 2000). Furthermore, Spain successfully pressed for the Cohesion Fund to be established, as a financial measure to help the poorest EU members comply with the criteria for economic and monetary union (EMU) and enable them to agree to the Maastricht Treaty (Bache, 1998; Allen, 2000; Hooghe & Marks, 2001). The subsequent high-level negotiations on the new Financial Framework were influenced by the Danish 'no'-vote on the TEU, difficulties with the Exchange Rate Mechanism, the pressure for further enlargement, the desire of the UK to find an agreement during its Presidency (Laffan & Shackleton, 2000), and the overall difficult economic situation in some northern member states (Bache, 1998). Against this background the Edinburgh European Council of December 1992 came to an agreement. The deal included an overall increase of the overall EU budget to a maximum of 1.27% of EU GNP by 1999, ceilings for six categories of expenditure, an increased share of revenue to be raised by means of member state contributions, and the continuation of the UK rebate (Laffan & Shackleton, 2000). The overall budgetary increases were much less substantial than the Commission had originally sought. The negotiations again pitted the poor EU members against the net contributors - especially the UK - with the final deal being struck after Germany and France had agreed to endorse greater spending than envisaged by the UK (Laffan & Shackleton, 2000). With regard to Regional Policy, it took some time after the Edinburgh agreement for negotiating the exact shares of funding to each member state (Allen, 2000).

4.2.3 2000-2006: Regional Policy and Agenda 2000

For the period of 2000-2006, some important changes took place with regard to the allocation of Regional Policy funding. A greater concentration of the funding was achieved by keeping only three objectives of the policy and constraining funding to a lower percentage of the EU population (Allen, 2000). Objective 1 was merged with Objective 6 and remained unchanged, Objectives 2 and 5b) formed the new Objective 2 which was aimed at areas that face structural changes, and Objectives 3 and 4 formed the new Objective 3, aimed at providing vocational education and training (Allen, 2000; Leonardi, 2005). Also the number of Community Initiatives was reduced to three. The final agreement provided a total of 213 billion euro for Regional Policy in the EU-15, including 18 billion for the Cohesion Fund. For the first time, this presented a decrease in yearly funding available compared to the last year of the previous period. Additionally, however, 47 billion euro were 'ringfenced' for those member states likely to join during the period, divided between pre-accession aid and benefits from funding after accession (Allan, 2000; Leonardi, 2005). Funding to Objective 1 amounted to some 69% of the Regional Policy Budget, with 'additional cases' not complying with the eligibility rules amounting to 1.7% of total funding (Leonardi, 2005; Bachtler & Mendez, 2007). The agreement included, however, also transitional provisions for those regions no longer eligible for Objective 1 or 2 funding (Leonardi, 2005) and a 'safety net' under which a region would not 'lose' more than a third of its population eligible for spending (Allen, 2000).

The reform of Regional Policy just described was embedded in the negotiations on the Financial Framework for the period 2000-2006 which took place from March 1998 until March 1999. This in turn was focusing on the 'Agenda 2000', the 'strategic outlook' into the early 2000s that was presented by the Commission in 1997 (Bache, 1998). It included the proposal for the new Financial Framework, the reform of the CAP and Regional Policy in the light of future Eastern Enlargement, and a commentary of how to proceed with enlargement (Allen, 2000). The nearing enlargement was therefore one of the key issues that the Agenda 2000 package should account for. Leaving all expenditure policies unchanged would have required a massive increase of the EU budget. This, however, seemed very unlikely, also because the number of net contributors to the budget had grown and this group voiced its preferences for austerity more vigorously than before, also with a view to complying with the criteria for EMU and – in the case of Germany – the high costs of reunification (Laffan & Shackleton, 2000). The Commission proposals for the Financial Framework took this into account by proposing no increase in the ceiling for revenues from 'own resources' and leaving it at 1.27% of EU GNP. Any growth in the budget would therefore need to stem from economic growth of the Union.

The negotiations on the Financial Framework were again were contentious and featured a number of divisions between the member states, especially between the Mediterranean and the Northern ones. While the latter pressed for austerity, the former – especially Spain - did not want enlargement to be financed by a reduction of their benefits from the budget (Laffan & Shackleton, 2000; Allen, 2000). The final compromise between these two positions was reached in the Berlin European Council of March 1999. The German Chancellor was determined to reach an agreement, also due to domestic political difficulties. The resignation of the European Commission and the Kosovo crisis both made a quick agreement necessary (Laffan & Shackleton, 2000). It did not amount to a full 'stabilization' of the budget, but still contained cuts to all proposed categories of expenditure (Laffan & Shackleton, 2000). Compared to the previous period, agricultural spending slightly increased and expenditure for Regional Policy slightly decreased. Payments for expenditure were to be no larger than 1.13% of EU GNP, the GNP-based resource for revenue was to gain yet more importance, and the UK rebate was kept and added by provisions to ease the financial burdens for other net contributors. About 80 billion of the total 704 billion of commitments of the Financial Framework were ringfenced for spending on new member states (Laffan & Shackleton, 2000).

4.3 Comparison and Assessment

The above account presents a rough overview of the history of Regional Policy funding within the first three Financial Frameworks. Combined with some more detailed data it allows for a comparative assessment of these periods.

Table 4.1 gives an overview on the status of Regional Policy within the various Financial Frameworks. Due to differences in price levels, the figures are not totally comparable across the years, but they allow for some general observations that take up the main points of the previous paragraphs. First, Regional Policy has come to account for about a third of the EU budget. Second, comparing the highest yearly commitments of the three periods (to the EU-12 and EU-15 respectively), it is clear that in 2000-2006 shifted the allocation of Regional Policy funding towards a zero (or even negative) sum game. Third, as evidenced by the 2000-2006 period, the Financial Framework fixes a mere ceiling for expenditure on Regional Policy. The actual amount of spending for Regional Policy can therefore be agreed at a slightly lower level.

	1988-1992	**1993-1999**	**2000-2006**
Total Commitments Financial Framework	244.838 billion ecu (1988 prices)	529.885 billion ecu (1992 prices)	646.140 billion euro (1999 prices) (EU-15)
Commitments to Regional Policy	53.14 billion ecu (1988 prices)	176.389 billion ecu (1992 prices)	213.010 billion euro (1999 prices)
Highest Yearly Commitment	13.45 billion ecu (1988 prices); 18.557 billion ecu (1999 prices)	30.000 billion ecu (1992 prices)	32.045 billion euro (1999 prices)
Share of Regional Policy in Total Commitments	21.7%	33.29%	32.96%
Actual Funding for Regional Policy	71.368 billion ecu (2005 prices)	162.120 billion ecu (2005 prices)	211.851 billion euro (1999 prices)

Table 4.1: Allocation of Funding to Regional Policy (Sources: Commission, 2008; European Parliament, Council and Commission, 1999; Leonardi, 2005)

Table 4.2 shows the allocation of Regional Policy funding across the different policy objectives. Several important facts and developments can be noted. First, it can clearly be seen that Objective 1 – the funding provided for the least developed European regions – presents by far the greatest amount within each funding period. Between the first and second funding period, a slight reduction of the concentration of funding on this objective occurred which, however, corresponded with the official introduction of the new Cohesion Fund for the least prosperous EU member states. Together, the share of Objective 1 and the Cohesion Fund on total funding has been rising steadily from 63.7% to 72.67%. Whether this trend will continue will need to be assessed in the following chapter.

Second, the table also illustrates how the structure of Regional Policy also has become more concentrated or streamlined. The period 2000-2006 saw a reduction of policy objectives.

	1988-1992	1993-1999	2000-2006
Objective 1	61.5%	57.5%	60.2% 3.97% (transition)
Objective 2	8.6%	9.2%	9.31% 1.28% (transition)
Objective 3 (+4)	9.3%	8.6%	11.35%
Objective 5	5.7% (5a) 3.1% (5b)	3.2% (5a) 3.8% (5b)	
Community Initiatives	7.4%	8.4%	4.29%
Cohesion fund	2.2%	8.9%	8.5%
Other	2.2% (IntegratedMediterranean Programme)		0.52% (Fisheries Instrument)

Table 4.2: Allocation of funding within Regional Policy (in % of total funding) (source: compiled from Leonardi, 2005)

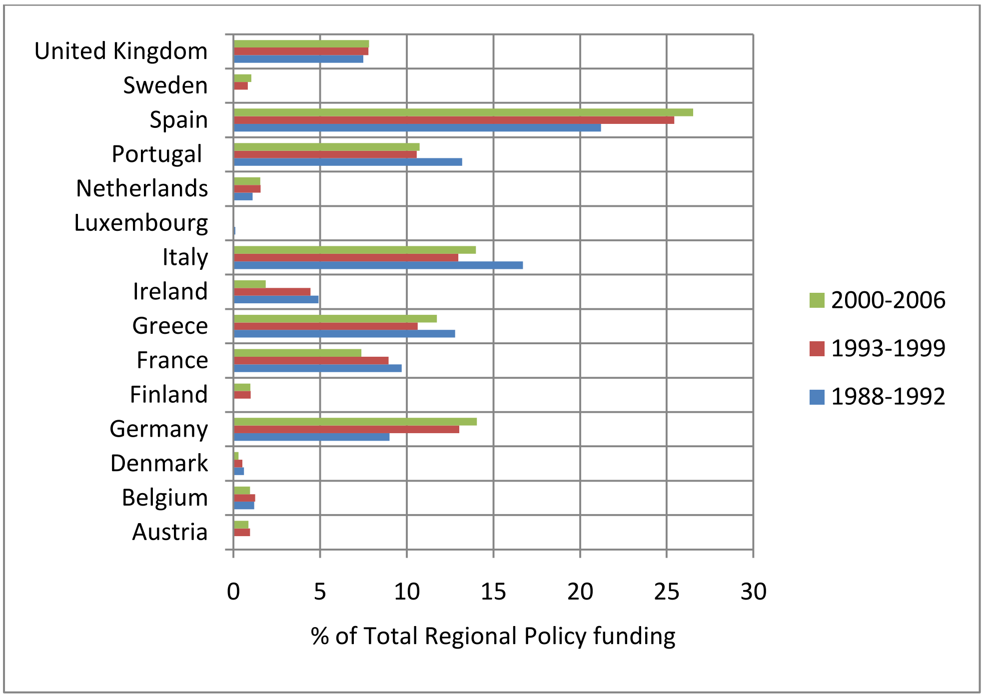


Figure 4.1: Regional Policy: Funding shares of the EU member states 1988-2006 (Source: Table 4.3)

Figure 4.1 and Table 4.3 in the annex show the allocation of Regional Policy funding across the 'old' EU member states (the EU-12 for the period of 1988-1993, and the EU-15 for the other periods). Comparing the shares of funding across countries and funding periods, some points can be made. First, comparing the allocations across the three different periods analyzed, the overall funding patterns seem rather stable with almost no steep increases or decreases in shares occurring. Second, the main beneficiaries of Regional Policy can clearly be identified as the Southern European Member

States, three of which also belong to the beneficiaries of the Cohesion Fund[1]. Of them, Spain is receiving by far the largest amounts of funding. Its funding share has actually increased by more the 5 percentage points from 1988 to 2006, amounting to more than a quarter of total funding. During the same period, the shares of the other Mediterranean countries have slightly decreased on average. Germany's share of the funding has also increased over the three Financial Frameworks, at least partly due to the funding allocated to its structurally weak Eastern regions. Third, the funding shares reflect the division of net contributors and net beneficiaries to the EU budget. The countries with very small shares of Regional Policy funding include the Netherlands, Sweden and Austria, all major net contributors to the EU budget. With the exception of Germany then, all major beneficiaries of Regional Policy are net beneficiaries of the EU budget as a whole. Fourth, related to this statement, Table 2 shows that the 1995 accession of Austria, Finland and Sweden to the EU did only marginally affect the allocation of Regional Policy funding. This can be explained by their rather small size in terms of population, and their status as belonging to the richer EU member states which resulted in low shares of funding. The enlargement of 2004 and 2007 is likely to have a much bigger impact on allocative shares in the period 2007-2013 because it concerns poorer countries, some of them being quite populous. How the amount 'ringfenced' for the new member states affected the overall allocation of Regional Policy funding between 2004 and 2006 will be discussed in Chapter 5.

Leaving aside the figures, several other points have become clear from the historical account of section 4.2. The brief overview of secondary descriptive literature has shown that agreeing on the Financial Frameworks of the EU is quite difficult. The periodic revision of Regional Policy and the allocation of funding to and within the policy always seem to belong to the most contentious issues in the negotiations. Furthermore, the issue of the allocation of Regional Policy funding seems to be heavily intertwined with overall budgetary issues. The general debate on the ceilings for expenditure concerns allocative decisions to and within Regional Policy, as both issues feature a division of member states between rich and poor and net contributors and net recipients. These divisions were present in Regional Policy in all three periods.

Another important observation is that negotiations on the Financial Frameworks - and those on Regional Policy which are embedded in them - do not happen in a vacuum. As the historical overview shows, the processes of finding agreement and making decisions have in the past been influenced by a number of 'contextual' factors. The general course of European integration has been one of them. Agreement on and implementation of the completion of the Single Market and EMU has been facilitated by increasing spending on Regional Policy in 1988 and by creating the Cohesion Fund. EU enlargement has been another contextual factor. The Mediterranean enlargements in the 1980s seem to have played a role in the financial strengthening of Regional Policy in 1988. Looming Eastern enlargement is also likely to have induced budgetary austerity for the EU-15 in 1999. Next to these two, other contextual factors like the general economic situation, domestic circumstances and external events seem to sometimes play a role in the conclusion of agreements on the Financial Perspective.

[1] Until 2003, Ireland was also a beneficiary of funding from the Cohesion Fund. Due to its rather small size and population, however, its absolute amounts and shares of funding are rather small compared to other countries.

The historical overview and the comparison in this section is a very crude one since it is not based on extensive amounts of empirical data. Nevertheless, some observations as to the possible role of the independent variables specified in Chapter 3 can be made. First, and most obviously, it seems that 'rational calculations' with a view to enhancing one's own payment position play a role in informing actor positions and the final allocative outcome on Regional Policy funding. While the net recipients of Regional Policy argued for expanding – or at least not reducing – their benefits from the policy, the net contributors to the EU budget increasingly argued for austerity in expenditure. The outcomes on Regional Policy seem to present compromises between these positions, with considerable exceptions to the actual allocative rules. Second, 'previous allocative decisions' might possibly have had an impact on later ones since member state shares of funding did not differ significantly across the three periods looked at. On the other hand, however, the overall budget of the policy differed significantly from previous periods in at least two cases, and changes to the policy objectives also took place. Third, the role of 'commitments, duties and obligations' might be reflected in the adherence to the principle of concentration and the fact that the share of funding to the poorest regions and member states has increased throughout the three periods. By contrast, the exceptions and additions to the eligibility rules and the relatively small share of funding provided for the 'new' member states in the 2000-2006 period challenge this explanation. Overall therefore, different formal and informal institutional features might therefore play a role in explaining Regional Policy funding.

4.4 Conclusions

This chapter has described the 'history' of allocative decisions on EU Regional Policy from the 1980s until 2006. It has been demonstrated that decisions on Regional Policy are embedded in the Financial Framework of the European Union. The overall budgetary questions and the conflicts between net contributors and net recipients of European expenditure policies are very much reflected in negotiations on Regional Policy. Looking at the content of the allocative decisions on Regional Policy taken within the Financial Frameworks, it is evident that overall spending has been increasing until 1999 and then came to a halt. The allocation of funding across different objectives has been simplified from 2000 onwards, with basic goals remaining the same. The concentration of funding on 'Objective 1' and the Cohesion Fund, designed for the poorest regions and member states, has increased, while the allocative shares of the EU member states have not changed dramatically. Throughout the periods studied, the main beneficiaries among the EU-15 have been the Mediterranean countries and Germany. Looking at factors influencing and possibly explaining the decisions taken on the Financial Frameworks and Regional Policy funding, support and opposition is available for each of the hypothesized independent variables developed in Chapter 3. This does not allow for a clear account on the institutional features that might explain Regional Policy funding. Clearly, a much more thorough analysis is required to study them and to assess the three different explanations for Regional Policy funding. This will be provided in the next chapter. As has also been shown, however, contextual factors such as the general course of European integration, enlargement, the economic climate and domestic circumstances might play a role in shaping decisions on the Financial Framework and Regional Policy.

5. Regional Policy Funding: 2007-2013

5.1 Introduction

The purpose of this research project is to arrive at an explanation for Regional Policy funding. To this end, a theoretical framework has been developed which hypothesizes the influence of different institutional factors on policy outcomes. Also an approach for analyzing high-level decision-making processes in the (European) Council has been put forward, focussing on inputs and outputs. After a brief overview on the first three important decisions on EU Regional Policy funding and their linkage with the Union's Financial Frameworks, it is now time to test the theoretical framework and the impact of the proposed independent variables on the latest negotiations and decision on Regional Policy Funding. The main decision was taken at the end of 2005, as a part of the EU's Financial Framework for the period of 2007-2013. The present chapter will first present an overview on the negotiations and their outcome, both in terms of the Financial Framework and Regional Policy funding. After that, the explanatory power of the independent variables 'previous allocative decisions', 'rational calculations' and 'commitments, duties, obligations' as well as contextual factors will be assessed and discussed, and a conclusion will be provided.

5.2 Negotiations and Outcome

5.2.1 The negotiations on the Financial Framework and Regional Policy

The Commission Proposals

The drawing up of the new Financial Framework started in 2003 with a phase of working group discussions in the European Commission (Dür & Mateo Gonzales, 2007). On 15 December 2003, a letter to Commission President Prodi, sent by the heads of state and government of Germany, France, the UK, the Netherlands, Sweden and Austria, indicated the strong preferences of these EU member states for an expenditure ceiling not higher than 1% of EU GNI. They argued that this was necessary due to financial constraints on domestic budgets, also amounting from the Stability and Growth Pact (Bundesregierung, 2003; Ackrill & Kay, 2006). This demand by the main net contributors to the European budget set the tone for the debates that followed.

The European Commission presented its formal proposals on a new Financial Framework for the period 2007-2013 in February and July 2004. Its first Communication presented the Financial Framework as a means for developing further the enlarged EU, by emphasizing the need for sustainable development and 'higher growth with more and better jobs' – a core goal of the EU's Lisbon Strategy that had been adopted in 2000 - , enhancing European citizenship, and the role of the EU in the world (Commission, 2004). In financial terms, the Commission proposed to retain the own resources ceiling of 1.24% of EU GNI, but to increase the maximum amount of expenditure within that ceiling from 1.09 to 1.14% of EU GNI. It argued that the EU budget is small in size compared to national budgets, and that a 1% ceiling would by no means meet the EU's policy needs, especially in the light of the upcoming enlargement and the agreement on agricultural expenditure that had already been reached in 2002 (Commission, 2004; 2004a). The Commission's proposed Financial Framework (see Table 5.1) featured 4 main expenditure headings and a total volume of 1025 billion euro in commitment appropriations (928.7 billion in payment appropriations). In comparison to previous Financial Frameworks, the headings did not reflect the biggest EU expenditure policies, but policies were grouped thematically. Most notably, the Commission draft included a sub heading on spending for 'competitiveness for growth and employment' aimed at implementing the Lisbon goals in the fields of research and development, entrepreneurship and trans-European networks. The proposed expenditure for this heading presented a substantial increase compared to the expenditure provided to these policy goals under the previous Financial Framework (Commission, 2004, p.29). 'Citizenship, Justice and Home Affairs' as well as 'External EU policies' also saw increases in proposed expenditure compared to the 2006 level, while agricultural expenditure – in line with the 2002 agreement – was held almost constant at the 2006 level. For the revenue side of the Financial Framework, the Commission proposed a 'generalized correction mechanism' that would replace the UK rebate, and put forward some options for creating a new tax-based resource (Commission, 2004).

The Commission proposals on the new Financial Framework also included provisions on Regional Policy, under the sub heading 'cohesion for growth and employment'. In July 2004, a proposal on the detailed rules governing the Structural Funds and Cohesion Fund was issued. Before, the Commission had already set out its views on the future of Regional Policy in its Cohesion Reports (Commission, 2001; 2004b), and had also engaged in discussion with member states and regional stakeholders at the Cohesion Forum and through a public consultation. In its 2004 proposals, the Commission suggested a budget for Regional Policy of 336.1 billion euro, equal to 0.41% of the GNI of the EU27 (which amounts to 0.46% of GNI and 373.9 billion if the funds for rural developments and fisheries are included) (Commission, 2004, 2004b). The Commission stressed the challenge of enlargement and low economic growth, arguing therefore in favour of a linkage of Regional Policy to the goals of the Lisbon Strategy (Commission, 2004; 2004b; 2004c). It introduced a new architecture for the policy. The former three Objectives and three Community Initiatives would be replaced by only three categories of funding.

First, the 'Convergence' objective would largely be in line with the former Objective 1, targeting funding to the less developed regions and member states. About 78% of total Regional Policy funding would go to this objective which also included the Cohesion Fund. The criteria for eligibility and allocation within the Convergence objective would remain the same as for the former Objective 1, supplemented by new rules and transitional funding for 'phasing out' regions. Second, the new objective 'Regional Competitiveness and Employment' would be designed to cover all those regions and member states not eligible for Convergence funding. It would address economic change and aim at furthering the Lisbon goals. About 18% of total funding was envisaged for this objective. Funding for these 'Competitiveness' regions would be allocated between the member states 'on the basis of Community economic, social and territorial criteria', and it would include transitional support for 'phasing-in' regions (Commission, 2004c). Third, under 'European Territorial Cooperation' cross-border and transnational cooperation would be supported by 4% of the total funding, based on the former INTERREG Initiative. The population of regions and member states would guide the respective amounts received under this objective. The Community Initiative on rural development and the Fisheries instrument would be integrated into the CAP. The maximum amount a country would be able to receive from Regional Policy (including rural development and fisheries) would remain at 4% of its GDP. According to the calculations of the Commission, the total amount of funding for the three objectives of Regional Policy would be allocated in almost equal shares to the old EU-15 and the 12 new member states (Commission, 2004b).

Commitment Appropriations	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total 2007-2013**
1. Sustainable Growth	**46.621**	**58.735**	**61.875**	**64.895**	**67.350**	**69.795**	**72.865**	**75.950**	**471.465**
1a. Competitiveness for growth and employment	8.791	12.105	14.390	16.680	18.965	21.250	23.540	25.825	132.755
1b. Cohesion for growth and employment	37.830	46.630	47.485	48.215	48.385	48.545	49.325	50.125	338.71
2. Preservation and Management of Natural Resources	**56.015**	**57.180**	**57.900**	**58.115**	**57.980**	**57.850**	**57.825**	**57.805**	**404.655**
Of which: Agriculture	43.735	43.500	43.673	43.354	43.034	42.714	42.506	42.293	301.074
3. Citizenship, Freedom, Security and Justice	**2.342**	**2.570**	**2.935**	**3.235**	**3.530**	**3.835**	**4.145**	**4.455**	**24.705**
4. The EU as a Global Partner	**11.232**	**11.280**	**12.115**	**12.885**	**13.720**	**14.495**	**15.115**	**15.740**	**95.35**
5. Administration	**3.436**	**3.675**	**3.815**	**3.950**	**4.090**	**4.225**	**4.365**	**4.500**	**28.62**
Compensations	1.041	0.120	0.060	0.060					0.24
Total Appropriations for Commitments	**120.688**	**133.560**	**138.700**	**143.140**	**146.670**	**150.200**	**154.315**	**158.450**	**1025.035**
Total Appropriations for Payments	**114.740**	**124.600**	**136.500**	**127.700**	**126.000**	**132.400**	**138.400**	**143.100**	**928.7**
Appropriations for Payments as a percentage of GNI	1,09%	1,15%	1,23%	1,12%	1,08%	1,11%	1,14%	1,15%	1.14%
Margin available	0,15%	0,09%	0,01%	0,12%	0,16%	0,13%	0,10%	0,09%	0.1%
Own Resources Ceiling as a percentage of GNI	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%	1.24%

Table 5.1: Commission Proposal Financial Framework 2007-2013 (prices in billion euro) (Source: Commission, 2004d)

The Negotiations

After the issuing of the Commission proposals of February 2004, the discussion among the member states on both the overall Financial Framework and Regional Policy as a part of it began in the lower levels of the Council. An analytical report was prepared within COREPER and presented by the Irish Presidency at the European Council in June, summarizing the proposals, identifying the main issues and presenting the views of the member states in general terms (Council, 2004; Meszarits & Wukovitsch, 2006). Following the publishing of the more detailed Commission proposals, the Dutch Council Presidency of adopted a special approach in order to reach some first agreement among the member states by December. With a view to broadening the discussion on the Financial Framework beyond the overall expenditure level towards a consideration of the content and expenditure for single policies - but also in order to 'get away from the Commission proposal' (Interview 3) - it pursued a 'building block approach' (Council, 2004a; Meszarits & Wukovitsch, 2006). To this end, country preferences were grouped together in several positions (Bachtler & Wishlade, 2005). The outcome of this process were a number of 'building blocks' for each (sub) heading, including a range of expenditure for each building block, as shown in Table 5.2. A report was prepared for the December 2004 European Council. It showed that great differences between the positions of the member states existed in all areas of expenditure.

	Commission Proposal	**Building Block**					**Total Range**
		A	**B**	**C**	**D**	**E**	
1a. Competitiveness for growth and employment	133	123-133	70-100	75-110	75-60		60-133
1b. Cohesion for growth and employment	339	338-340	340-355	295-335	230-275	190-235	190-355
2. Preservation and Management of Natural Resources	405	403-405	330-380	390-400	405-415	380-400	330-415
3. Citizenship, Freedom, Security and Justice	25	18-20	17-18	10-13	14-17		10-20
4. The EU as a Global Partner	95	72-74	52-58	67-77	58-68		52-77
5. Administration	29	26-28	24-26				24-28
Total 1-5	1025						666-1028
In % of GNI	1.26%						0.82%-1,26%

Table 5.2: Outcome of the 'building block' approach (in billion euro) (Source: Meszarits & Wukuvitsch, 2006)

On Regional Policy, the report listed a great number of 'main issues at stake' which included all kinds of allocative aspects. Five different building blocks or broad member state positions were set out. Of these, one agreed with the Commission proposal, another wanted to increase the funding for 'transition' regions and those affected by the 'statistical effect' of a lower GDP average in the enlarged EU, and a third one advocated a better focus on the poor regions and member states, at a slightly decreased budget. A fourth and fifth position advocated a substantially lower budget for Regional Policy than the Commission proposal, either stressing the need for concentrating resources in the less developed regions and member states or even abolishing support for the proposed 'Competitiveness' objective (Council, 2004b). This resulted in a wide range of opinions on the budget for Regional Policy (see Table 5.2).

The European Council of December 2004 agreed to the Commission's proposal of keeping the own resources ceiling at 1.24% of EU GNI. It also called on Luxembourg, the incoming Presidency, to put its efforts into reaching a political agreement among the member states at the Brussels European Council of 16/17 June 2005 (Council, 2005). The Luxembourg Presidency worked with so-called 'negotiating boxes', documents that included proposals on financial and policy aspects, based on the current state of the debate. The first one was put forward in March 2005 and more detailed ones followed in June. At the European Council meeting, a compromise proposal was drawn up by the Luxembourg Presidency. On the expenditure side, it was more in the direction of the '1%-countries' than the Commission proposal (see NB 6 of Table 5.3). For the revenue side, it was proposed to retain the UK rebate, but not to include expenditure on the new member states in it (except for CAP), to provide special compensations for some of the other net contributors, and to conduct a review on the own resources system in 2010 (Council, 2005a). The proposal was, however, rejected by five member states - the UK, the Netherlands, Sweden, Spain and Finland -, with Denmark and Italy abstaining (Bachtler & Wishlade, 2005; Meszarits & Wukovitsch, 2006). Of these, the UK with its Prime Minister Tony Blair received the most public blame for its attempt to link any changes to the rebate to a reform of the CAP (Atkins, 2005; Meszarits & Wukovitsch, 2006).

Agreement among the member states on a Financial Framework could finally be reached at the European Council of 15/16 December 2005. Before, the UK Presidency had waited until November before it let the formal negotiations resume, also because "everything had already been discussed at great length" (Interview 3). Compared to the 'Luxembourg Compromise', the agreement contained some further cuts to the 'natural resources' heading and (less so) to Regional Policy and 'Citizenship, Freedom and Justice' (see Table 5.3). The cuts were, however, less substantial than what had been proposed by the UK Presidency earlier in December. The final decision on the Financial Framework was taken in May 2006 in the form of a renewed Interinstitutional Agreement between the Council, Commission and European Parliament. Four rounds of political 'trialogue' were necessary to 'clean up after the summit' (Interview 1) and to settle the differences in positions of the Council and Parliament. The latter had rejected the Council's agreed Financial Framework in January. Having previously argued for more spending in the main headings than was agreed at the European Council, the EP in the end secured about 2 billion euro of additional expenditure and some and changes in the provisions on financial management (Meszarits & Wukovitsch, 2006). As a whole therefore, the EP had almost no influence on the Financial Framework, and in the end did not push for more changes as it did not want to put in danger the deal on this 'delicate package' that had been reached among the member states (Interview 3). With the agreement signed, detailed legislation on the different kinds of EU expenditure could be drawn up.

	Com Proposal 14 July 2004	NB 1 8 March 2005	NB 2 21 April 2005	NB 3 19 May 2005	NB 4 2 June 2005	NB 5 15 June 2005	NB 6 17 June 2005	NB 7 5 Dec 2005	NB 8 14 Dec 2005	European Council Agreement 19 Dec 2005	Interinstitutional Agreement 17 May 2006
1a. Competitiveness	132.755				74.000	72.010	72.010	72.010	72.010	72.120	74.098
1b. Cohesion	338.710					306.508	309.549	296.900	298.990	307.619	308.041
2. Natural Resources	404.655					377.801	377.800	367.464	367.924	371.245	371.344
(of which agriculture)	301.074					295.105	295.105	293.105	293.105	293.105	293.105
3. Citizenship, Freedom, Security	24.735				11.894	11.000	11.000	10.270	10.270	10.270	10.770
4. EU as a Global Partner	95.320				51.010	50.010	50.010	50.010	50.010	50.010	49.463
5. Administration	28.620				51.300	50.300	50.300	50.300	50.300	50.300	49.800
Other	0.240										0.800
Commitment Appropriations	1025.035					(867.718)	871.514	846.754	849.303	862.363	864.316
% of GNI			1.31%	1.31%	1.31%	1.06%	1.06%	1.03%	1.03%	1.045%	1.048%
Payment Appropriations							827.515	807.427	809.319	819.380	820.780
% of GNI	1.14%	1.24%	1.24%	1.24%	1.24%	1.00%	1.00%	0.98%	0.98%	0.99%	1.00%

Table 5.3: Evolution of the proposals for the Financial Framework 2007-2013 (in billion euro, 2004 prices) (Source: Commission, 2004d; Council 2005a-2005j; European Parliament, Council, Commission, 2006)

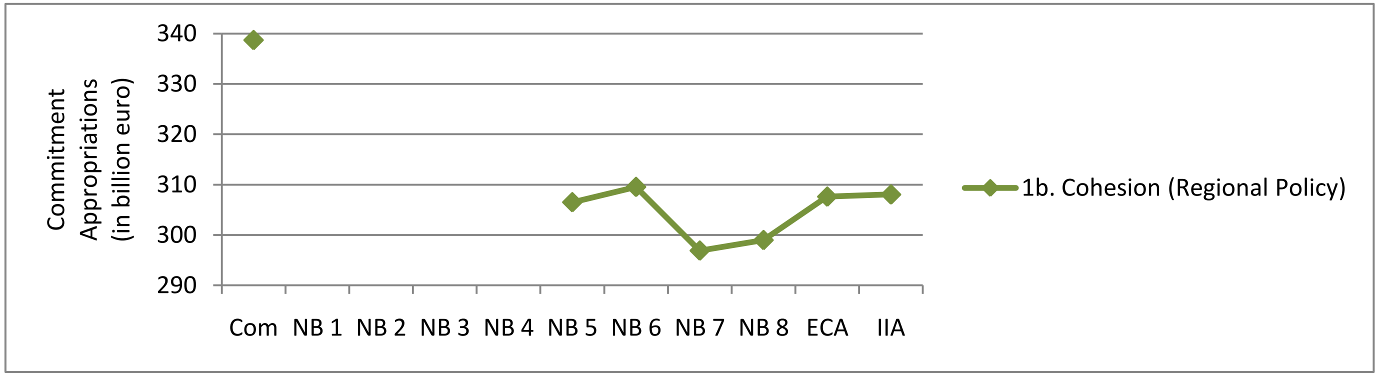


Figure 5.1:Evolution of the proposals on the commitment appropriations for Regional Policy (Source: Table 5.4)

Table 5.3 shows the full evolution of the decision-making process on the Financial Framework as captured by the proposals for expenditure ceilings of the different negotiating boxes, including the final agreement in the Council and the Interinstitutional Agreement. It can clearly be seen that expenditure for Regional Policy ('Cohesion') was one of the most contentious issues in the negotiations, since its proposed budget and its allocation across objectives vary throughout the boxes (see Figure 5.1) while the provisions for other policy areas remain nearly constant. Furthermore, Regional Policy was the policy area for which the most detailed financial and allocative decisions needed to be taken. Its provisions accounted for about half of each negotiating box and the final Council agreement (see e.g. Council, 2005b). Tables 5.4 and 5.5 in the annex show how the provisions on Regional Policy developed in the different negotiating boxes. It seems that the allocation of funding to and within the 'Convergence' and 'Regional Competitiveness and Employment Objective' were rather difficult issues, along with the allocation method within the Convergence objective, that of the transitional funding, and the ceiling (or 'capping') on a member state's Convergence funding. While the financial and allocative aspects of Regional Policy were a big issue in the negotiations, the discussion on the overall architecture of the policy was constrained to the lower 'technical' levels of the Council (Interview 2).

5.2.2 The Outcome

Table 5.6 shows the Financial Framework 2007-2013 as stated in the Interinstitutional Agreement of May 2006, the outcome of a negotiation process that took more than two years in total. Its total commitments of 864 billion euro are much below the 1025 billion that the Commission had suggested in 2004. While the cuts in the largest expenditure headings 'Cohesion' and 'Natural Resources' amounted to 'only' 8 and 9% compared to the Commission proposal, the cuts to the other headings were substantial, with 44% for the newly created sub heading 'Competitiveness', 56% for 'Citizenship, Freedom, Security and Justice' and 48% for the EU's external actions. For revenues, particularly the 'own resources' of the EU budget, a uniform rate for the VAT resource of 0.3% was agreed, which would be lower for the major net contributors to the budget (excluding the UK). The Netherlands and Sweden would get reductions to their GNI-based contributions. The UK rebate remained in place, but the UK contributions would be 'phased in' as to fully finance enlargement (except for CAP) by 2013, with this additional contribution not exceeding 10.5 billion euro. The reduced contributions to the UK rebate by the other major net contributors would also remain in place (Council, 2005b).

Commitment Appropriations	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
1. Sustainable Growth	**51.267**	**52.415**	**53.616**	**54.294**	**55.368**	**56.876**	**58.303**	**382.139**
1a. Competitiveness for growth and employment	8.404	9.097	9.754	10.434	11.295	12.153	12.961	74.098
1b. Cohesion for growth and employment	42.863	43.318	43.862	43.860	44.073	44.723	45.342	308.041
2. Preservation and Management of Natural Resources	**54.985**	**54.322**	**53.666**	**53.035**	**52.400**	**51.775**	**51.161**	**371.344**
Of which: Agriculture	43.120	42.697	42.279	41.864	41.453	41.047	40.645	293.105
3. Citizenship, Freedom, Security and Justice	**1.199**	**1.258**	**1.380**	**1.503**	**1.645**	**1.797**	**1.988**	**10.770**
3a. Freedom, Security and Justice	0.600	0.690	0.790	0.910	1.050	1.200	1.390	6.630
3b. Citizenship	0.599	0.568	0.590	0.593	0.595	0.597	0.598	4 140
4. The EU as a Global Partner	**6.199**	**6.469**	**6.739**	**7.009**	**7.339**	**7.679**	**8.029**	**49.463**
5. Administration	**6.633**	**6.818**	**6.973**	**7.111**	**7.255**	**7.400**	**7.610**	**49.800**
6. Compensations	**0.419**	**0.191**	**0.190**					**0.800**
Total Appropriations for Commitments	**120.702**	**121.473**	**122.564**	**122.952**	**124.007**	**125.527**	**127.091**	**864.316**
Appropriation for Commitments as a percentage of GNI	1,10 %	1,08 %	1,07 %	1,04 %	1,03 %	1,02 %	1,01 %	1,048 %
Total Appropriations for Payments	**116.650**	**119.620**	**111.990**	**118.280**	**115.860**	**119.410**	**118.970**	**820.780**
Appropriations for Payments as a percentage of GNI	1,06%	1,06 %	0,97%	1,00 %	0,96 %	0,97 %	0,94 %	1,00%
Margin available	0,18%	0,18%	0,27%	0,24%	0,28%	0,27%	0,30%	0,24%
Own Resources Ceiling as a percentage of GNI		1,24%	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%

Table 5.6: Financial Framework 2007-2013 (in billion euro) (Source: European Parliament, Council, Commission, 2006)

The main legislative texts on Regional Policy were adopted in July and August 2006. They contained detailed rules on how the budget of 308.014 billion euro should be allocated across policy objectives, regions and member states, and how the money was to be spent. The new basic architecture for Regional Policy that was proposed by the Commission in 2004 found its way into the final regulation largely unchanged. The reduction and streamlining of funding categories as well a stronger thematic linkage of Regional Policy to the Lisbon goals seems to have been well received by all political actors involved and had not been discussed on a high political level (Interview 2). The overall allocative outcome is depicted in Figures 5.2-5.4 (and Table 5.7 in the annex) which show the final breakdown of the funding between the three objectives and the 27 member states. By far the biggest share (81.54%) goes to the Convergence objective. The concentration of funding on this objective which is designed to support the poorest EU member states and regions is even higher in the final regulation than in the 2004 Commission proposal (see Table 5.4). With more than 19% of the total funding, Poland is by far the biggest recipient of Regional Policy funding, followed by two 'old' EU member states, Spain (10.24%) and Italy (8.33%). Overall, total funding for the 12 'new' member states (51.23%) slightly surpasses that of the EU-15 (48.65%). The regions eligible for the two main objectives of Regional Policy are shown in Figure 5.5.

The following section will analyze this outcome – and the decision-making process leading up to it - more thoroughly, for the purpose of developing a theoretically informed explanation for EU Regional Policy funding.

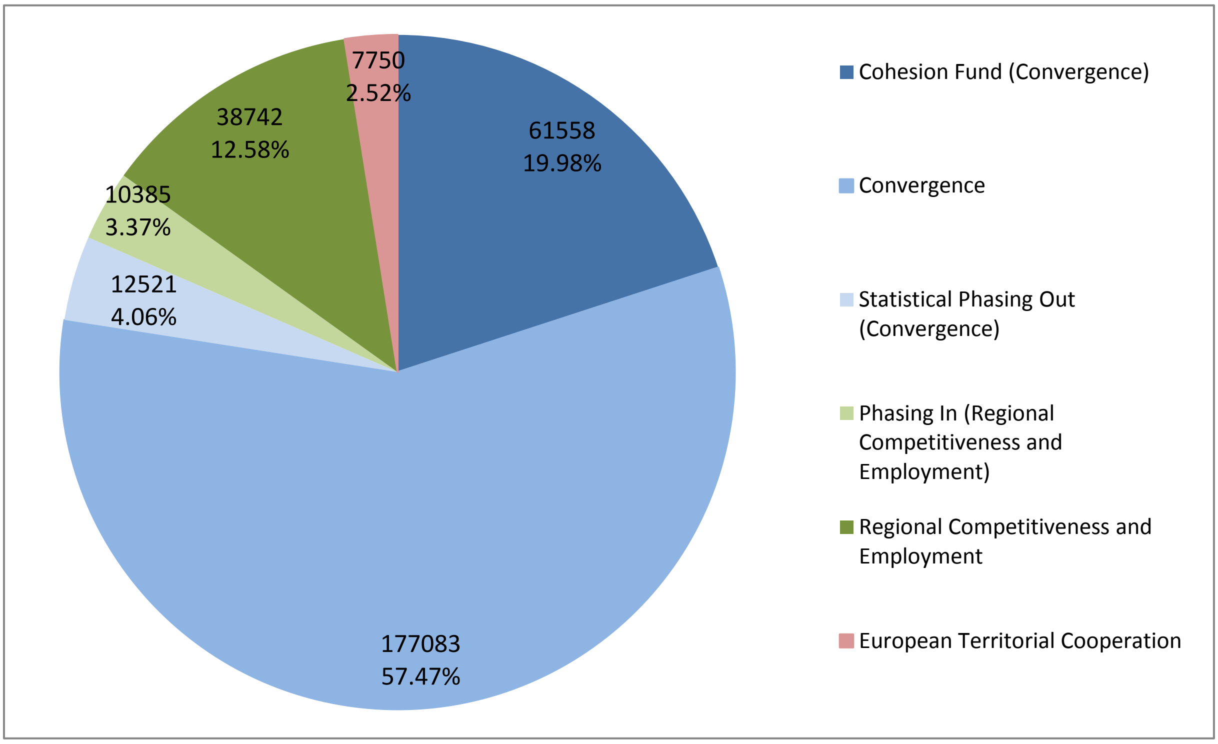


Figure 5.2: The allocation of Regional Policy funding across objectives (in million euro and %) (Source: Table 5.7)

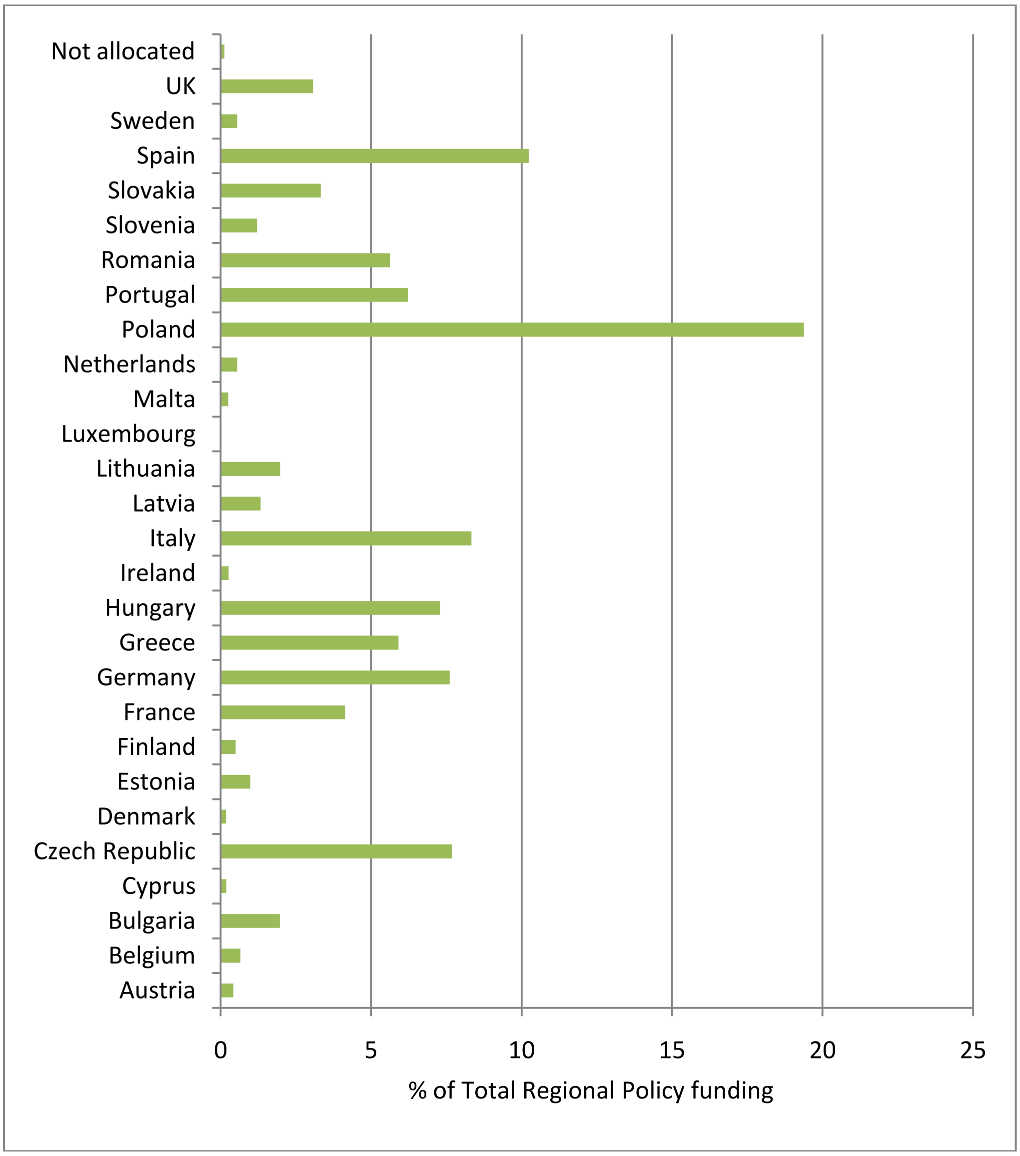


Figure 5.3: The Allocation of Regional Policy funding across EU member states 2007-2013 (Source: Table 5.7)

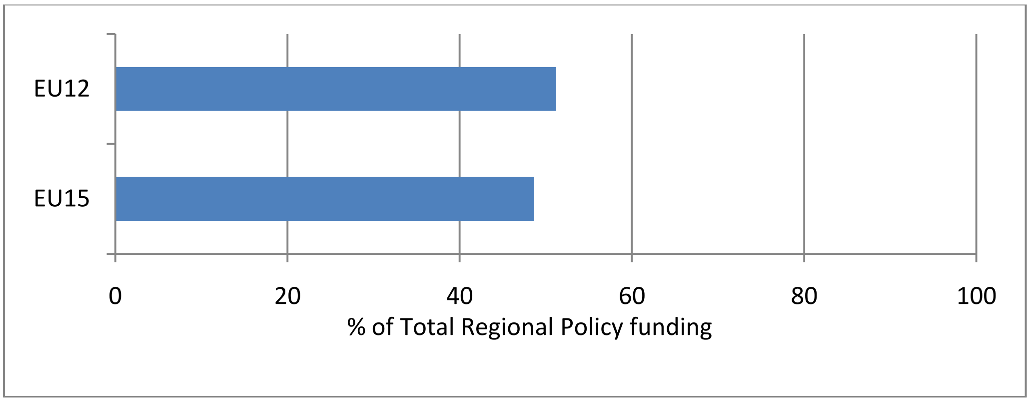


Figure 5.4:The Allocation of Regional Policy funding between 'old' and 'new' EU member states (Source: Table 5.7)

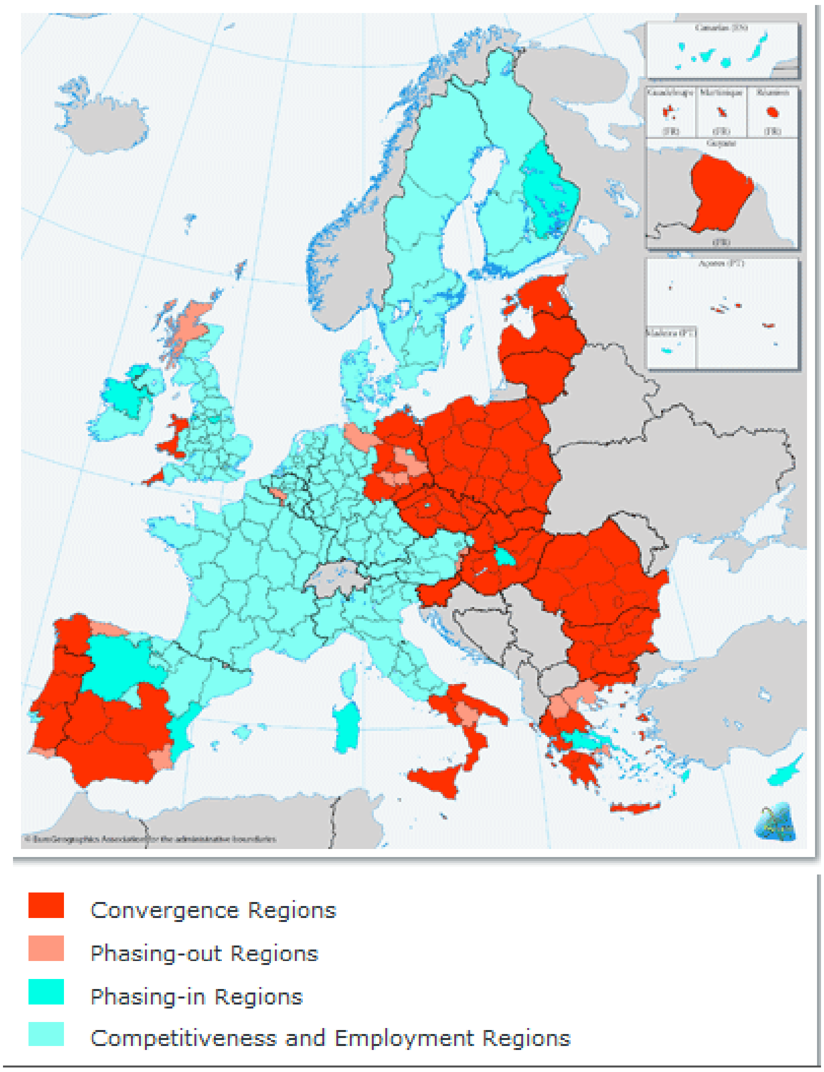


Figure 5.5: Regions Eligible for Convergence and Regional Competitiveness and Employment 2007-2013 (source: Commission, 2009)

5.3 Explaining Regional Policy Funding

In Chapter 3, three different New Institutionalist hypotheses have been developed as possible explanations for Regional Policy funding. First, it has been suggested that decisions and policy-making process on Regional Policy funding might be path dependent, as the positions of political actors and decision outcomes – both influenced by institutional rules – have become 'locked in' by 'previous allocative outcomes'. Second, it might rather be the case that actor positions and outcomes on Regional Policy funding are guided by a 'logic of consequences' according to which actors seek to maximize their utility on the basis of 'rational calculations', but are constrained by formal institutional rules so that outcomes constitute a large compromise between all positions. Third, positions and decisions on Regional Policy funding might be guided by a 'logic of appropriateness' in which actors are guided by 'commitments, duties and obligations' that stem from normative components of Regional Policy, such as 'cohesion', 'solidarity' and 'redistribution'. Indicators for testing these three hypotheses have been worked out. In line with the 'input-output' approach for studying European high-level decision-making, they focus on identifying to what extent inputs (=actor positions) and outputs (=the allocative outcome) provide evidence for each of the three explanations. This section will therefore analyze inputs and outputs in turn, according to the way of measurement specified in Chapter 3. After that, the power of each explanation for Regional Policy funding will be compared and discussed.

5.3.1 Inputs: Explaining Actor Positions

The political actors that take the decisions on the Financial Framework and Regional Policy Funding are likely to have a great impact on the final allocation of funding for Regional Policy. It is therefore important to analyze their positions and try to identify those factors that inform their preferences. The formal actors involved in the decision-making process on the Financial Framework and Regional Policy within it are the EU member states in the Council, the European Commission and the European Parliament. The European Parliament, however, will be dropped from the analysis as its involvement in both the Financial Framework and Regional Policy is rather marginal. EP powers are constrained to latter stages of the decision-making process when agreement between the member states has already been reached. As shown in Tables 5.3-5, changes to the final outcomes in the last stage are not very substantial. The analysis of actor positions will therefore be constrained to the EU member states, with the role of the Commission position being addressed in the 'discussion section'. As the member states are very numerous, the analysis will focus on those that have been specified in Chapter 3: Germany, Poland, The Netherlands and Spain.

Actor Positions

Germany

As part of the '1%-group', Germany was not in favour of a budget increase for Regional Policy of the size the Commission had proposed. It favoured only marginal growth of the amounts available for the policy, in line with the economic growth of the EU (Diller, 2004; Bundesregierung, 2005). In general, the German government stressed its unwillingness and inability to pay for a much-increased budget for Regional Policy, and did not want its general payment position to be substantially worsened (Bundesregierung, 2005). Some general calculations on the overall Regional Policy budget and implications for the German contribution existed (Interview 1).

In terms of the architecture of Regional Policy and the allocation of funding between different categories, Germany had a rather strong preference for a concentration of the funding on the Convergence objective, through a transfer of funding from richer to poorer member states and regions in Eastern Europe (Bundesregierung, 2005; 2005a). 'Cohesion of the neediest regions towards the average EU level of development' and 'solidarity with the new member states' were seen as goals of EU Regional Policy (Diller, 2004), so that some 90-95% of total funding were envisaged as the adequate funding share for the most needy member states and regions (Bundesregierung, 2005a). Furthermore, Germany wanted to constrain cross-border cooperation to the (former) external EU borders, and generally restrict funding for richer regions to some narrow activities with 'true European added value' (Diller, 2004; Bundesregierung, 2005). The German government changed its point of view, however, before the final phase of the negotiations in that it did support the 'Competitiveness' category for richer regions as proposed by the Commission (Interview 1; Koalitionsvertrag, 2005). Calculations underpinned that benefits could be expected from such a move (Interview 1).

While the government accepted some overall losses in German Regional Policy funding, it wanted fair (but limited) transitional arrangements for those regions that would drop out of the former Objective 1 (Diller, 2004; Bundesregierung, 2005). Before the decisive summit of the European Council in December 2005, funding for the regions of Eastern Germany was declared one of the key priorities of Germany in the Financial Framework (Deutscher Bundestag, 2005). The preference of a calculation of funding amounts on the basis of regional rather than national wealth might have presented an attempt of preserving funding for these regions to some extent. Apart from that, Germany wanted to keep the basic criterion for the eligibility for Convergence funding and a capping level at 4% of GDP and advocated changes to the system of area designation.

Poland

Poland demanded a substantial budget for Regional Policy, in the hope that the level of capping would go up with an increased budget ceiling (Republic of Poland, 2004; Interview 2). It could therefore agree with the budget ceiling for Regional Policy as proposed by the Commission (Republic of Poland, 2004; Interview 2). To some extent, Poland also seemed to have been concerned about its net position. The additional funding Poland was granted for its poorest regions had – like the provisions for other countries – been inserted ‘to improve the net position’ (Interview 2) and this made Poland agree to a deal that it had otherwise opposed (Douste-Blazy & Meller, 2005; Interview 2).

Concerning the architecture of Regional Policy, Poland was primarily interested in the Convergence category (Interview 2). Solidarity as a principle of EU Regional Policy was used quite often by the Polish government during the negotiations (Interview 2), for pointing out the need to decrease disparities between European regions and countries. Overall, it demanded a concentration of funding on the least developed regions and countries, more than in the previous period - the outcome of which was seen as a ‘bad deal’ (Interview 2). For the new member states, it demanded payments out of the Cohesion Fund to be set at 1/3 of the total funding, and it did not want transitional funding to surpass funding under Convergence (Republic of Poland, 2004). It did, however, also advocate funding for richer regions, and adequate arrangements for transitional payments (Republic of Poland, 2004; Interview 2), in line with the Commission view.

As a means for getting ‘as much money as possible’ (Interview 2), the Polish position included most prominently the capping of funding at a higher level than 4% of national GDP. Secondly, it wanted the Commission to change its estimates on the growth of the Polish economy (Interview 2) because under a higher estimate more funds could be allocated to Poland before the capping would come into effect. While the Polish position paper of 2004 does not include numbers or calculations, in practice there seem to have been detailed calculations on the funding Poland could expect from the proposals made, and the Polish Prime Minister had a certain minimum amount of funding in mind that he wanted get out of the negotiations (Interview 2).

The Netherlands

Similar to Germany, the Netherlands did not see the need for an increased budget for Regional Policy, and preferred an amount considerably lower than the Commission proposal (Interview 3;

Dutch Government, 2003; Eerste Kamer, 2005). This was in line with its status as a major net contributor and its strong preference for an overall limited EU budget (Tweede Kamer, 2005a). It reflected also the Dutch preference for a 'modernized' budget in which larger funding shares would go to areas like research, from which the Dutch benefit more than from Regional Policy (Interview 3). All this fit with the overall Dutch demand for an improved payment position in absolute terms and in relative terms compared to other net payers (Tweede Kamer, 2005b; 2005c; 2005d). In order to achieve this goal, the Netherlands also rejected the compromise proposal by Luxembourg (Tweede Kamer, 2005e). The Dutch arguments on the budget and Dutch net position were accompanied by calculations thereon, and a concrete reference amount existed (Interview 3; Dutch Government, 2003; 2003a; Tweede Kamer, 2005e; 2005f; 2005g).

Within the area of Regional Policy, the Dutch government advocated funding to be allocated to the poorest member states, mainly in Eastern Europe (Dutch Government, 2003; 2003a; Tweede Kamer, 2005), the only exception being activities with a cross-border dimension and temporary transitional support measures – albeit with a decreased budget (Dutch Government, 2003; 2003a). A 'full commitment to increasing the cohesion between member states' as a policy goal of Regional Policy (Dutch Government, 2003) was part of its argument. The Netherlands opposed continued flows of Regional Policy funding between relatively rich EU countries and therefore did not seek to maximize its own funds or insist on exemptions to its advantage (Interview 3). Furthermore, in its early position paper the government favoured a shift from regional towards national criteria for determining eligibility for funding and funding amounts, but wanted to retain the capping level at 4% (Dutch Government, 2003; 2003a). Overall, it accepted losses to the country's allocation of Regional Policy Funding and those of other relatively rich countries as well as poor regions in rich countries.

Spain

Already very early in the debate – and in line with its status as one of the major beneficiaries of the policy -, Spain was in favour of an increased budget for Regional Policy (Spanish Government, 2001), at least as much as stated in the Commission proposal of 2004 (Fernandez Ordonez, 2004). As a whole, Spain advocated an extension of Regional Policy to meet the needs of the new member states while 'preserving the progress made' in the EU-15 and not too rapidly cutting back on the funds for these countries and regions (Fernandez Ordonez, 2004). Yet, when became clear that the overall financial volume of the Financial Framework would rather be close to 1% of EU GNI, Spain's priority in the negotiations changed towards achieving an adequate balance for itself under this limited budget (Cortes Generales, 2005). Spain was very concerned about its overall payment position in the EU budget. It wanted to achieve a positive balance and not become a net contributor before its growth levels had reached the average of the EU-15 (Cortes Generales, 2005; Torreblanca, 2005). The government argued that Spain stood to lose most from enlargement, and wanted a more fair distribution of costs among the member states (Congreso de los Diputados, 2004; Torreblanca, 2005).

Spain accepted the changes proposed by the Commission on the three funding objectives and roughly agreed with the allocative shares proposed (Congreso de los Diputados, 2004). The Spanish government mentioned the value of 'solidarity' rather in terms of continuing Regional Policy funding also for those countries and regions affected by the statistical effect of enlargement (Congreso di los Diputados, 2004). At the same time, however, it did not question the need to 'encourage processes of convergence' of the new member states, and of concentrating resources to that end (Fernandez Ordonez, 2004; Torreblanca, 2005), however without cutting back substantially on the priority areas in the EU-15. More important for the Spanish government than the overall budget size, however, was to secure an adequate share of funding for Spain, despite its natural economic growth and the threat presented by the statistical effect of enlargement (Congreso de los Diputados, 2004; Cortes Generales, 2005). To that end, Spain demanded an (unprecedented and) gradual phasing-out of the Cohesion Fund, generous and gradual phasing-out and phasing-in mechanisms for its regions, and special treatment for its 'areas with special handicaps' such as the Canaries, Ceuta and Melilla (Fernandez Ordonez, 2004; Congreso de los Diputados, 2004; Cortes Generales, 2005). The first of these presented a key issue for the Spanish, and was the main reason for the Spanish government to reject the Luxembourg Compromise of June 2005 (Cortes Generales, 2005). The eligibility criteria and exceptional provisions Spain sought to introduce implied slightly disproportionate support for regions in Spain and other old member states.

To support the Spanish demands, detailed calculations seemed to exist of which amount of funding Spain could possibly lose due to statistical and growth effects (Torreblanca, 2005). Furthermore, there seemed to be a reference amount of funding that Spain did not want to go below in the negotiations (Cortes Generales, 2005).

Impact of 'Previous Allocative Decisions'

In order to determine the extent to which actor positions on Regional Policy funding were path dependent, i.e. informed by 'previous allocative decisions, they need to analyzed and compared according to the observations that have been specified in Chapter 3. This has been done in Table 5.8.

Variable: Previous Allocative Decisions					
Indicator: Link between actor positions and previous allocative decisions					
Observation	**Observation made?**				**Score on Observation**
	D	**PL**	**NL**	**E**	
No or marginal changes to the overall budget for Regional Policy	yes	no	yes	No	0 (medium)
No or marginal changes to the allocation of funding across different categories	(no)	no	no	(no)	-3 (low)
No or marginal changes to the eligibility criteria for regions and countries	yes/no	yes/no	(no)	yes/no	-0.5 (medium)
Changes to eligibility criteria which preserve former allocative amounts/shares	(yes)	no	no	(yes)	-1 (medium)
No or marginal changes to the shares/amounts of funding between countries	(no)	no	no	yes/no	-2.5 (low)
Score on Indicator	0.5 (medium)	-4 (low)	-2.5 (low)	-1 (medium)	**-1.4** **-1.75 (low)**

Table 5.8: Scores on the Link between Actor Positions and 'Previous Allocative Decisions'

It can be seen that the overall score of this 'input' indicator is rather low, as shown by both the average score across the countries analyzed and the observations made. Across countries, it is striking that Germany and Spain as 'old' member states and former major beneficiaries of Regional Policy display the most path dependent preferences. The preferences of Poland and the Netherlands are much less correlated with the previous allocative outcome, although both countries had diverging views on both the budget for Regional Policy, its allocation across objectives and between countries. Looking at the different observations, it is the funding categories and the allocation of funding across them, as well as the allocation of funding across countries where the least congruent with the status quo and therefore pushed this indicator towards a negative score. It might also have helped that the Commission proposal – the basis for the official negotiations – presented a clear change from the previous allocative outcome, in its suggested architecture for Regional Policy, but also concerning its budget.

Impact of 'Rational Calculations'

A next step in explaining actor positions on the allocation of Regional Policy funding is to determine the extent to which they are informed by 'rational calculations' based on a 'logic of consequences'. To this end – and in line with the observations specified in Chapter 3 -, actor preferences on the budget for Regional Policy, the allocation of funding between the member states, and their payment position are collected, as well as whether preferences are linked to actual calculations. The result is shown in Table 5.9.

Variable: Rational Calculations					
Indicator: Link between actor positions and 'rational' calculations					
Observation	**Observation made?**				**Score on Observation**
	D	**PL**	**NL**	**E**	
High/increased budget for Regional Policy		yes		(yes)	3.5 (high)
Low/limited budget for Regional Policy	yes		Yes		
Maximize own amounts/shares of funding, directly or via changed eligibility criteria	yes/no	yes	No	yes	1 (medium)
Decreased amounts/shares of funding for other member states/ types of regions	(yes)	(no)	(yes)	(yes)	1 (medium)
No worsening of own payment position	(yes)	yes/no	yes	yes	2.5 (high)
Detailed calculations that support (some of) these arguments	yes	yes	yes	yes	4 (high)
Score on Indicator	3 (high)	2.5 (high)	2.5 (high)	4 (high)	**2.4** / **3 (high)**

Table 5.9: Score on the Link between actor positions and 'rational' calculations

The table shows that there seems to be a rather strong link between actor positions and 'rational calculations'. The preferences of the four member states studied seem to be based on – or at least correlated to – utility maximization and an analysis of the costs and benefits of Regional Policy for them. While all countries engaged in calculations or estimates of some kind to find and underpin their position, they were especially concerned about their overall payment position to the EU budget, and about the budget for Regional Policy. In terms of straightforward preferences on maximizing own funding and decreasing that of other actors, the evidence is more ambiguous, e.g. because the

Netherlands tried to maximize their utility from Regional Policy solely by limiting its budgetary increase and not by seeking own funding gains, because Germany changed its opinion on maximizing own gains, and because – contrary to the expectations - Poland was in favour of funding also for richer member states and regions. Interestingly, Germany and Spain have the highest overall score on the indicator. While Spain tried to maximize both the budget for Regional Policy and its share of it, Germany showed preferences that seem typical for its status as a net payer, but combined this with a desire to gain as much funding as possible. This seems to fit the results of the previous indicator, according to which Germany and Spain had more 'path dependent' preferences than the other countries studied.

Impact of 'Commitments, Duties, Obligations'

Actor positions on Regional Policy funding might also be influenced by normative factors, like 'commitments, duties and obligations' towards solidarity with the least developed areas of the EU. Following the observations specified in Chapter 3, it can be analyzed in how far actor positions on the goal of Regional Policy, the concentration of funding, the eligibility criteria and rules of the policy, and its budget are in line with such an explanation. The result is shown below.

Variable: Commitments, Duties, Obligations					
Indicator: Link between actor positions and commitments, duties and obligations					
Observations	**Observation made?**				**Score on Observation**
	D	**PL**	**NL**	**E**	
'Cohesion' and 'solidarity' as important policy goals	yes	yes	yes	(yes)	3.5 (high)
Concentration of the largest share of funding on the most disadvantaged and lagging regions member states	(yes)	(yes)	yes	(yes)	2.5 (high)
Eligibility criteria geared towards a concentration of funding in the most disadvantaged regions, no exceptions	(yes)	yes	yes	yes/no	2.5 (high)
A budget for Regional Policy that reflects (changes to) the number of less developed regions	(no)	yes	(no)	(yes)	0.5 (medium)
Score on Indicator	1.5 (high)	3.5 (high)	2.5 (high)	1.5 (high)	**2.25** **2.25 (high)**

Table 5.10: Score on the Link between actor positions and 'commitments, duties and obligations'

From the table, it can be seen that the positions of the countries studied largely match with the expected observations. Yet, the overall score of this indicator is a bit lower than that of 'rational calculations'. As a whole therefore, the member states expressed 'commitments, duties and obligations' towards helping the most disadvantaged and lagging regions and countries through Regional Policy. Only the preferences for a limited budget for Regional Policy of both Germany and the Netherlands do not seem to fit with the rise in number of lagging regions. Partly however, this is made up for by the willingness of the two net contributors to enhance the concentration of funding on these regions. Not surprisingly, Poland as one of the countries with the greatest need for funding has the highest country score on this indicator, followed by the Netherlands who were against prolonged funding for regions in richer EU member states. The scores of Germany and Spain are a bit lower, but still 'high', reflecting their desire of maximizing or preserving funding for themselves and the old member states.

5.3.2 Outputs: Explaining the Policy Outcome

The outcome of the negotiations on the Financial Framework for the period 2007-2013, including the allocative outcome in the field of Regional Policy, have already been described above. The latter one will now be analyzed in more detail to see in how far it matches each of the hypothesized explanations for Regional Policy funding. This will be done with the help of the observations and measurement specified in Chapter 3.

Impact of 'Previous Allocative Decisions'

In order to determine the extent to which the 2007-2013 decision on Regional Policy funding might be driven by 'path dependence' it is necessary to examine the actual allocative outcome and its degree of resemblance to 'previous allocative decisions'. The overall budget, the allocation of funding across different categories, the eligibility criteria, and the shares and amounts of funding for the different EU member states will be examined and compared to the allocation of Regional Policy funding in 2000-2006.

The Budget for Regional Policy

The budget for Regional Policy has risen from 258.656 billion euro for 2000-2006 (including funding for the 'new' member states) to 308.041 billion euro for 2007-2013, as shown in Table 5.11 in the annex. This constitutes a rise of 19%. Although not as significant as in earlier periods, such a budgetary increase cannot be classified as marginally – especially not when considering that that the 2007-2013 budget for Regional Policy did not include the spending on rural development anymore that had been part of the policy until 2006.

The Allocation across Funding Categories

The development of the allocation of Regional Policy funding across different funding categories is depicted in Table 5.12. Following the trend of simplification, the number of funding categories has been further reduced in 2007-2013. The merging of Objective 1 and the Cohesion into 'Convergence' has not changed the substance of this funding category, as it continues to target the least developed areas of the EU (see Council, 1999; 2006). Different from Objective 1, however, the provisions on 'Convergence' are more specific as to the exact goals to be achieved (growth and employment) and the thematic areas which funding should address. Similarly, the merging of the former Objectives 2 and 3 into 'Regional Competitiveness and Employment' has not changed much of the goal of this category, but also specified the kind of investments that need to be made with the help of the funds. Strikingly, however, all European regions outside Convergence can receive funding under this category, and the population ceiling and area designation of the former Objective 2 do not apply anymore. The new 'European Territorial Cooperation' category roughly corresponds to the former INTERREG Community Initiative, while other former Community Initiatives have either been integrated into Convergence and Regional Competitiveness, or (along with the Fisheries Instrument) transferred to the CAP. Table 5.12 shows that the allocation of funding between the new categories is changed from that of 2000-2006. With 81.54%, funding is more concentrated on the Convergence objective (72.67% in 2000-2006). Considering all this, while not fundamentally changing the substance of Regional Policy, the changes made to the funding categories and the allocation of money between can be considered more than marginal.

<table>
<tr><th colspan="2">2000-2006</th><th colspan="2">2007-2013</th></tr>
<tr><td>Objective 1</td><td>64.17%
including
3.97 (transition)</td><td rowspan="2">Convergence</td><td rowspan="2">81.54%
Including
4.06% transition,
19.98% Cohesion Fund</td></tr>
<tr><td>Cohesion Fund</td><td>8.5%</td></tr>
<tr><td>Objective 2</td><td>10.59%
including
1.28% (transition)</td><td rowspan="2">Regional Competitiveness and Employment</td><td rowspan="2">15.95%
Including
3.37% transition</td></tr>
<tr><td>Objective 3</td><td>11.35%</td></tr>
<tr><td>Community Initiatives</td><td>4.29%</td><td>European Territorial Cooperation</td><td>2.52%</td></tr>
<tr><td>Other</td><td>0.52%
(Fisheries Instrument)</td><td></td><td></td></tr>
</table>

Table 5.12: Regional Policy: Development of Objectives and Allocative Shares per Objective (sources: Table 4.2, Table 5.7, Commission, 2007)

The Eligibility and Funding Criteria

The basic eligibility criteria for Convergence funding have remained the same as for the former Objective 1 and the Cohesion Fund: a regional GDP per capita less than 75% of the EU average, and a national GNI of less than 90% of the EU average respectively (Council, 2006). As already mentioned, there is no basic eligibility criterion for the 'Regional Competitiveness and Employment' objective anymore, as compared to former Objectives 2 and 3 (Council, 1999; 2006). The provisions on eligibility for 'transitional' support - aimed at those regions that have 'dropped out' of a funding category – have been changed for the 2007-2013 period. Transitional arrangements are now also applicable for the Cohesion Fund. This was, however, a change in criteria aimed at ensuring continued funding for Spain from the Fund. For those regions dropping out of Objective 1, a distinction is made between those affected by a 'statistical effect' or a 'growth effect'. The phasing-out of funding is more generous for the regions affected by the statistical effect than the rules for 2000-2006, while the rules for phasing-in the regions affected by the growth effect are similar to the former rules. For both categories, transitional funding is higher in 2007-2013 than in 2000-2006 due to greater additional funding in the case of high unemployment (Council, 1999; 2006).

The rules for determining the actual level of funding for a region under the Convergence Objective, also some changes took place. The calculation for the regional prosperity coefficient changed, and the coefficients for national prosperity were decreased a bit while their per capita GNI thresholds were raised substantially (Council, 1999; 2006). This probably aims at preserving the aid levels of regions in the 'old' member states whose GNI level was affected by a 'statistical effect' due to enlargement. Furthermore, the calculation of funding levels under the 'Competitiveness' objective differs from both that of former Objective 2 and 3, and the calculation of maximum amounts of funding for each country (the 'capping') has become dependent on GNI per capita. All in all, the changes made to the eligibility criteria have been more than marginal, but not all rules have been changed. Yet, some of the changes seem to aim at preserving the outcome of the 2000-2006 decisions to an extent which might indicate a degree of path dependence.

The Allocation of Funding between Countries

The allocation of Regional Policy funding for 2000-2006 and 2007-2013 is shown in Tables 5.11 and 5.13. They also show the differences in allocative shares between 2000-2003 and 2004-2006 which resulted from the accession of 10 new EU member states in 2004. In this latter period, enlargement did not affect the amounts of funding going to the EU15 since funding for the new members had been ringfenced before. It amounted, however, only to 20% of total funding. Comparing this and the resulting funding shares to the allocative outcome of 2007-2013, a large increase in funding in the EU10/12 to 51% of total funding can be seen (see also Figure 5.6 below). Consequently all new members increased their funding amounts and shares, some of them considerably (e.g. Czech Republic, Malta, Slovenia). By contrast, all old member states faced a decrease in funding, which was some very steep for some of them. The change in allocative amounts and shares between the member states has therefore been more than marginal.

Score

The table below captures the main points of the analysis. It shows that the policy outcome on Regional Policy funding displays a rather low degree of congruence with the hypothesized outcome based on 'previous allocative decisions'. The impact of path dependence on the decision on the budget for Regional Policy and its allocation within the policy seems to be negligible, except for some changes to eligibility criteria for funding which seek to preserve some of the funding for 'old' EU member states.

Variable: Previous Allocative Decisions	
Indicator: Congruence between allocative outcome and previous allocative decisions	
Observations	**Observation made?**
No or marginal changes to the overall budget for Regional Policy	(no)
No or marginal changes to the allocation of funding across different categories	no
No or marginal changes to the eligibility criteria for regions and countries	(no)
Changes to eligibility criteria which preserve former allocative amounts/shares	(yes)
No or marginal changes to the shares/amounts of funding between countries	no
Score on Indicator	**-2.5 (low)**

Table 5.14: Score on the Congruence between Allocative Outcome and Previous Allocative Decisions

Impact of 'Rational Calculations'

In order to determine the extent to which the 2007-2013 decision on Regional Policy funding might be driven by a 'logic of consequences', it is necessary to examine whether the actual allocative outcome for 2007-2013 corresponds to a compromise based on 'rational calculations'. It will be analyzed whether all member states benefit from Regional Policy funding, whether many exceptions and additions to the rules are part of the outcome, whether direct links between rational preferences and the allocative outcome can be found, and whether clear compensatory provisions can be identified.

Beneficiaries of Regional Policy

As can be seen in Table 5.7, funding for Regional Policy in the period 2007-2013 is provided to all European member states, although some receive very low amounts of funding. Furthermore, the allocative outcome (Council, 2005b; Council, 2006) contains provisions that prevent countries from losing too much of their funding compared to previous periods, or due to changes in national GDP (see also Table 5.5 and 5.15). This seems to be in line with an outcome based on 'rational calculations'.

Exceptions and Additions

The agreement of the European Council in December 2005 and the 2006 Council Regulation on Regional Policy both contain a considerable number of exceptions to the general rules on eligibility for funding and the levels of funding. The most obvious of these exceptions and additions are listed in Table 5.11. Those that can easily be calculated amount to 6.2 billion euro, some 2% of the total budget for Regional Policy. This is slightly higher than the funding share spent on such additional provisions in earlier periods (see Chapter 4). A look into the development of the negotiations shows that most of the additional provisions – especially the additional 'flat rate' payments to certain regions and member states – were only inserted into the negotiating text shortly before or at the European Council summits at which agreement was meant to be reached (Council 2005a; 2005b; 2005g; 2005f). The largest additional payments (to Spain and Italy) 'popped up' in the final agreement of December 2005 (see Council, 2005b). This seems to indicate that rather than allowing for "an adequate response to a number of objective situations" (Council, 2005b, Art. 43), additional payments were used to get reluctant member states to agree to a final deal, and to satisfy their utility-maximizing preferences.

Rational Preferences and the Allocative Outcome

Having a closer look at the provisions of the allocative outcome on Regional Policy funding, some direct links to the 'rational' preferences determined in the previous section can be identified. Clearest is this for Spain, as extensive transitional arrangements and additional payments - in line with the preferences Spain had voiced - found their way into the final Council Regulation. Germany also received additional amounts for its 'priority area', the Eastern German Länder. Poland received exceptional financial allocations for its poorest regions up to the amount that made it agree to the final deal in the European Council, and could benefit from a 'review clause' that corrected lower GDP estimates (Interview 2). The Netherlands could achieve part of its rational preference on the revenue side of the Financial Framework.

Exception/ Addition	Regions/ Member States Affected
Funding from the Cohesion Fund is 1/3 of total funding	EU-12
Regional Competitiveness and Employment: Funding will not be less than 75% of funding share for Objective 2 and 3 in 2006	All Member States; affected: mainly EU-15
Adjustments to funding amounts in 2010 due to change in GDP may not exceed € 3 billion	All member states
More funding for phasing-out if regions affected by the statistical effect represent at least 1/3 of the total population of regions fully eligible for Objective 1 assistance in 2006	All member states; applicable for Germany and Greece
More funding for phasing-out and phasing-in for regions not eligible for Objective 1 status in 2000-2006 or only from 2004 onwards	All member states; Applicable for Belgium, Germany, Cyprus, UK
Additional funding of € 107 per inhabitant for Convergence	Five regions in Poland (lowest per capita GDP of EU-25)
Additional funding of € 140 million for phase-out	Közep-Magyarorszag (Hungary)
Additional funding of € 200 million for Regional Competitiveness and Employment	Prague (Czech Republic)
eligible for extra provisions of phase-in	Cyprus
Receive funding under phasing-out and phasing-in	Itä-Suomi (Finland) Madeira (Portugal)
Additional funding of € 100 million for phasing-in	Canaries (Spain)
Additional funding from ERDF (€ 35 per inhabitant per year)	Outermost Regions (belonging to France, Spain, Portugal, Finland)
Aid intensity for cross-border cooperation 50% higher for regions along the former external terrestrial borders of the EU-15 and EU-25 than for other regions	Regions in Germany, Austria, Hungary, Greece
Additional funding of € 200 million for PEACE programme	Northern Ireland (UK)
Additional ERDF funding of € 150 million	Swedish regions under Regional Competitiveness and Employment
Additional funding of € 35 per inhabitant	Estonia, Latvia, Lithuania
Additional ERDF funding of € 150 million	Austrian regions under Regional Competitiveness and Employment, situated at the former external borders of the EU
Additional Funding of € 75 million for Regional Competitiveness and Employment	Bavaria (Germany)
Additional Funding of € 2 billion to enhance research, development and innovation	Spain
Additional funding of € 50 million for phasing-out	Ceuta and Mellila (Spain)
Additional funding of € 1.4 billion	Italy
Additional funding of € 100 million	Corsica, French Hainaut (France)
Additional funding of €225 million for Convergence and phasing-out	Eastern Länder of Germany
Additional allocation of € 300 million of ERDF to European Territorial Cooperation	Shared between all member states

Table 5.15: Exceptions and Additions to the allocative rules of 2007-2013 (Sources: Council, 2006; Council, 2005b; Bachtler & Wishlade, 2005; Bachtler, Wishlade & Mendez, 2006)

Compensations

As already mentioned above, the total budget for Regional Policy funding in 2007-2013 presented neither a significant increase, but did also not amount to a full stabilization of former levels. In line with this, no dominant pattern for 'compensations' to either net contributors to the budget (in case of a large overall budget) or net recipients (in case of a low budget) can be identified. Instead, almost all groups and countries seem to benefit from the allocative rules and additional provisions to some extent. Both the Eastern European as well as some Mediterranean net recipients of Regional Policy funding receive support due to exceptions to rules and additional funding provisions (see Table 5.15). Additional provisions are also inserted to channel some funding to the big net contributors of the EU budget. One of the only countries not benefitting from the additional provisions is the Netherlands which is, however, compensated on the revenue side of the budget. As a whole, the greater concentration of funding on the Convergence objective in the final agreement compared to the original Commission proposal (shown in Table 5.4) can be seen as a 'compensation' to the net recipients for an only modest increase in the budget for Regional Policy. Taken together, this might be a further evidence for an allocative outcome based on 'rational calculations'.

Score

The score on the different observations are portrayed below. A clear congruence seems to exist between the policy outcome and the hypothesized ideal-typical outcome based on 'rational calculations', as all necessary observations are made. The result of the negotiation process therefore seems to be a compromise that follows a 'logic of consequences'.

Variable: Rational Calculations	
Indicator: Congruence between allocative outcome and rational calculations	
Observations	**Observation made?**
Funding is provided to all member states	(yes)
Many exceptions to eligibility criteria and other rules are part of the outcome	yes
Direct links between 'rational' preferences and provisions in the outcome can be established	yes
A 'low or limited' budget for Regional Policy is met with allocative compensations to the net recipients *or* A 'high or increased' budget for Regional Policy is met by allocative compensations to the net contributors	yes (both)
Score on Indicator	**3.5 (high)**

Table 5.16: Score on the Congruence between allocative outcomes and rational calculations

Impact of 'Commitments, Duties, Obligations'

In order to determine the extent to which the 2007-2013 decision on Regional Policy funding might be driven by a 'logic of appropriateness', it needs to be established whether the allocative outcome for 2007-2013 reflects major 'commitments, duties and obligations' that are likely to exist within the area of Regional Policy. It will be analyzed whether the overall budget for Regional Policy has developed in line with the less developed European regions, whether eligibility criteria and other allocative rules are geared towards concentrating funding in the most disadvantaged areas of the EU, and whether such a concentration can actually be observed as a result of the allocative outcome. A special emphasis will thereby be on the impact of the 2004 and 2007 Eastern enlargement of the EU since this added – almost exclusively – poor and less developed areas to the Union which – following commitments to solidarity, cohesion and redistribution – needed to be incorporated into Regional Policy.

The Budget for Regional Policy

The Financial Framework of 2000-2006 had already ringfenced an amount of money to be spent on the new member states, including Regional Policy. When the Berlin agreement was reached in 1999 it was, however, not yet foreseeable when enlargement would take place and which countries would join (Leonardi, 2005). When the details of enlargement became clear, it was agreed that the new members would not receive funding amounts comparable to the EU-15 during the first years of membership, but only from 2007 onwards. Taking a closer look at the total budget increase of 19% for Regional Policy from 2000-2006 to 2007-2013, it is evident that it does not increase in line with enlargement. Regional Policy funding in 2007-2013 presents only an increase of 5.76% compared to the hypothetical budget of 2000-2006 where annual funding for the EU-10 had been the amount shown in Table 5.11. Not taking into account the funding going to Romania and Bulgaria who joined the EU in 2007, the budget for the EU-25 would actually have decreased by 2.39%. The total budget for Regional Policy in 2007-2013 therefore does not seem to reflect the full incorporation of 12 poor member states into EU Regional policy, at least not without making substantial changes to the allocations for the EU-15.

Eligibility and Funding Rules

A closer look at the final Council Regulation (Council, 2006) reveals to what extent the main rules on eligibility for funding and the formula for calculating the level of funding for each region or member state fit with a concentration on the least developed EU areas.

The decision of retaining the threshold for eligibility for Convergence at 75% of average EU GDP per capita and keep 90% of EU GNI as the criterion for money from the Cohesion Fund points to a general ambition of channeling great shares of funding to the poorest European regions. This is because the often-cited 'statistical effect' which lifts the GDP or GNI of a number of former recipients above the thresholds. The generous transitional arrangements for such countries and regions, however, - and those existing for the regions that have 'naturally' outgrown their lagging status – disturb the image of concentration. Especially the generous phasing-out of the Cohesion Fund for Spain is unprecedented (Meszarits & Wukovitsch, 2006).

A rule that clearly benefits the EU-12 is the rule that one third of the funding for these countries should come from the Cohesion Fund. In essence, this means that the amounts allocated are 'topped up' until they reach this threshold. A number of rules, however, offset part of these benefits. They concern the maximum level of funding allowed for a member states, also called the 'capping' of funds[2]. The level of capping that has been decided for 2007-2013 is at 3.79% of GDP for the EU member states with the lowest GNI per capita. This is lower than the 4% rule which had been in place until 2006. Capping levels for the poorest member states seem to have been lowered shortly before the December 2005 European Council as a means to facilitate agreement (see Table 5.6).

[2] The argument in favour of capping is to ensure that a country can actually 'absorb' all of its allocated funds and does not run into administrative and implementation problems

Furthermore, for richer member states the capping is set at progressively lower levels of GDP. While such a mechanism seems rather 'fair' with regard to concentration and solidarity, the capping levels agreed on in December 2005 are only meaningful for the poorest member states and do not affect the funding to the richer member states (Bachtler, Wishlade & Mendez, 2006).

Another provision which does not seem to ensure a concentration of funding to the least developed areas of the EU is the 'safety net' built into the Regional Competitiveness and Employment Objective. It prevents too big a reduction of funding for the regions outside the Convergence objective. Under the other exceptions and 'additional' provisions, funding is allocated to both the EU-15 and the new member states. Of the flatrate payments most of the money seems to go those EU-15 countries which do have poor regions or regions with special characteristics.

The Allocation of Funding across Regions and Countries

The next step in determining whether the allocative outcome of Regional Policy 2007-2013 is reflects the 'commitment, duties and obligations' of primarily targeting the least developed areas of the EU is to have a look at the *actual* concentration of funding.

First, the large share of funding for the Convergence objective points to a high degree of concentration on the least developed regions. As shown in Figure 5.5, these are located mainly in Eastern Europe. The course of the negotiations, however, does not suggest a complete commitment to concentration and solidarity with the most lagging regions. As Ackrill and Kay (2006) note, every rise in the budget for Regional Policy in the negotiating boxes resulted in sharing the extra money between Convergence and Regional Competitiveness funding, while with every decrease in the budget only the amount of money going to Convergence is decreased.

Second, despite a rather modest increase in overall budget, in 2007-2013 significantly more funding is being channeled to the new EU member states. Table 5.11 shows that the average share of funding in 2004-2006 was less than 20% for the ten new members. The 19% increase of the budget for Regional Policy in 2007-2013 involves an increase of the amounts allocated to the EU-10 of 136% and a 123% increase in allocative shares (see Figure 5.6 and Table 5.13). Including Romania and Bulgaria, the increases are even more considerable. Consequently, for 2007-2013 the share of funding going to the EU-10 has increased to 43.65%, or 51.23% including Bulgaria and Romania. Without performing complicated calculations, it is difficult to judge whether these shares can be called 'fair'. At least when considering that the EU-12 comprises 'only' around 1/5 of the total EU population, an allocative share of around 50% does not seem entirely unfair. Figure 5.6 and Table 5.13 also show that to finance the gains for the EU-12 the losses of funding within the EU-15 are shared relatively equally between these countries. They range from a 15% loss in funding share of Belgium to a 56% loss for the Netherlands, with most other countries group closely together in between[3]. It therefore seems that every 'old' EU member state, including the main recipients of Regional Policy funding, had to give up a substantial part of its funding. Naturally, this implies that the biggest 'transfers' of funding to the new member states originated in the Mediterranean countries and Germany.

[3] With a loss of more than 80% of funding Ireland seems to form an exception. However, this seems largely to be due to the fact that Ireland ceased to be eligible for funding under the Cohesion from 2004 onwards, due to natural economic growth beyond the eligibility threshold.

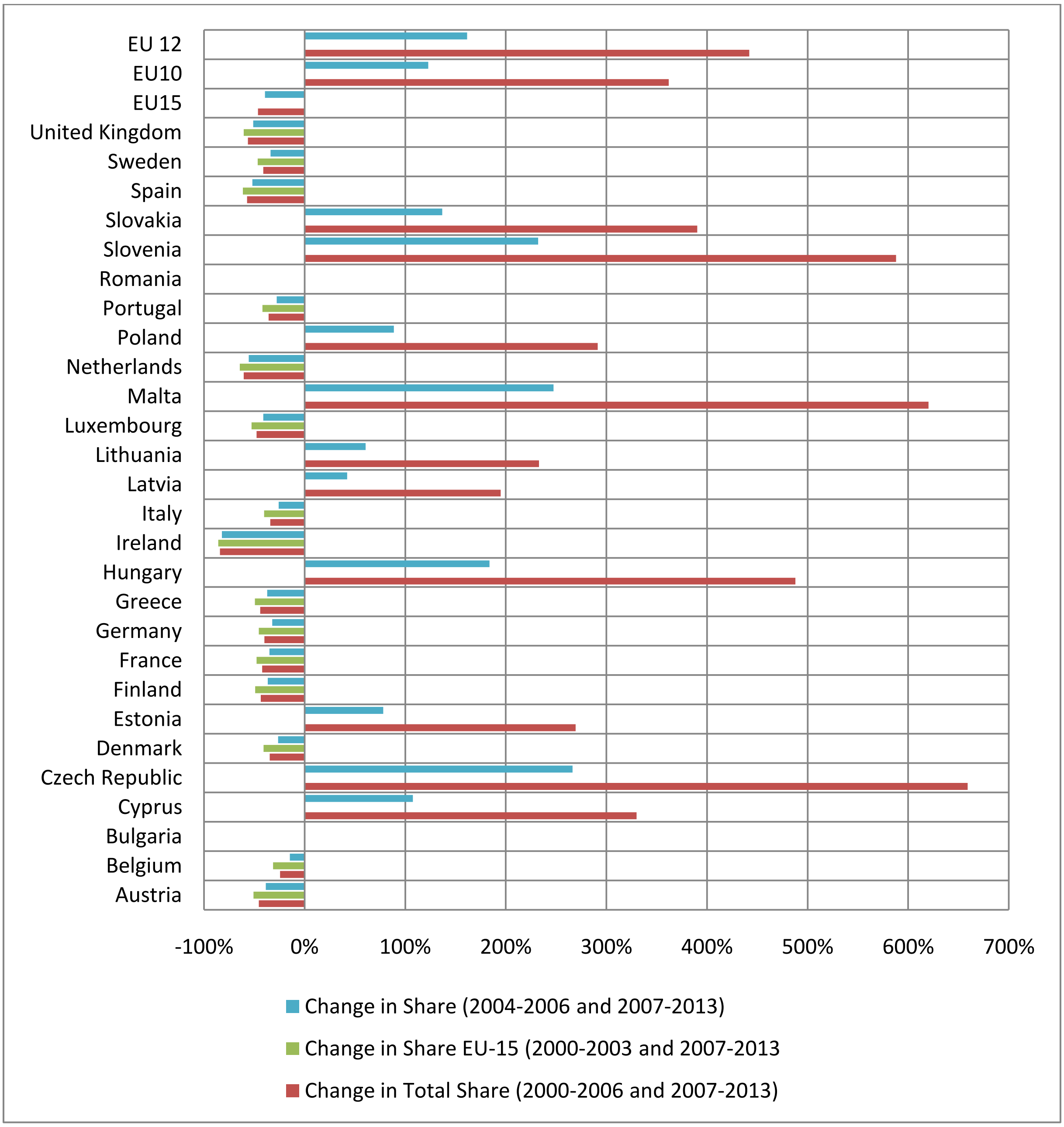


Figure 5.6: The change in funding shares between the current and previous funding period (Source: Table 5.13)

A good account of the degree of concentration of Regional Policy funding on the least developed areas can be obtained by comparing the level of funding per capita and year provided to each EU member state, as done by Bachtler, Wishlade and Mendez (2006). It shows that the level of overall 'aid intensity' is more than three times higher for the EU-12 than for most of the EU-15. Only Portugal and Greece, and to a lesser extent Spain, enjoy similar levels. This seems to represent a clear evidence for a concentration of funding on the least developed regions in the EU. Within the countries that enjoy a high level of aid intensity, the amount of per capita funding does not in all cases reflect differences in development between countries and regions. The 'capping' of resources seems to distort the concentration of funding to the disadvantage of Lithuania, Latvia and Poland.

Score

The scores of the three observations studied display mixed evidence for a policy outcome in Regional Policy that is congruent with a ‘logic of appropriateness’ and a clear commitment towards helping the most lagging and needy areas of the EU with the policy. While the budget for the policy is not suited for incorporating the least developed regions and member states adequately into the policy, in practice the funds available are rather concentrated on these areas, and the funding received by the ‘new’ member states has increased substantially since their accession. The criteria and rules for determining eligibility and funding levels are more ambiguous. Some are geared towards a concentration of funding in the poorest regions and member states, while some seek to prevent this or favour rich or ‘old’ over ‘new’ and poor member states. As a whole, ‘medium’ as the overall score of this indicator therefore seems adequate.

Variable: Commitments, Duties, Obligations	
Indicator: Congruence between allocative outcome and commitments, duties and obligations	
Observations	**Observation made?**
A budget for Regional Policy that reflects (changes to) the number of less developed regions	(no)
eligibility criteria geared towards a concentration of funding in the most disadvantaged regions, no exceptions	yes/no
A concentration of the largest share of funding to the most disadvantaged and lagging regions and member states	(yes)
Score on Indicator	**0 (medium)**

Table 5.17: Score on the Congruence between Allocative Outcome and ‘Commitments, Duties and Obligations’

5.3.3 Discussion: Explaining Regional Policy Funding

The combined scores of the indicators and variables for explaining Regional Policy funding for the period 2007-2013 are depicted in Table 5.18.

According to the analysis, ‘Rational Calculations’ and - to a lesser extent - ‘Commitments, Duties and Obligations’ might explain the allocation of Regional Policy funding. ‘Previous Allocative Decisions’ do not seem to have much power as a potential explanatory variable. Comparing both ‘input’ and ‘output’ indicators for each variable, it is striking that only for ‘Rational Calculations’ both take on roughly the same score, i.e. they seem to inform both actor positions and the outcome of the negotiations to similar extents. ‘Previous Allocative Decisions’ seem to correlate more with outputs than with inputs, while actor positions seem to be more informed by ‘Commitments, Duties and Obligations’ than the final policy outcome.

Concept	Path Dependence		
Variable	Previous Allocative Decisions	**Score**	**Total Score**
Indicator	Link between actor positions and previous allocative decisions	-1.4 /-1.75 → -1.575 (low)	**-2.0375 (low)**
	Congruence between allocative outcome and previous allocative decisions	-2.5 (low)	
Concept	Logic of Consequences		
Variable	Rational Calculations	**Score**	**Total Score**
Indicator	Link between actor positions and 'rational' calculations	3 /2.4 → 2.7 (high)	**3.1 (high)**
	Congruence between allocative outcome and rational calculations	3.5 (high)	
Concept	Logic of Appropriateness		
Variable	Commitments, Duties, Obligations	**Score**	**Total Score**
Indicator	Link between actor positions and commitments, duties and obligations	2.25 (high)	**1.125 (high)**
	Congruence between allocative outcome and commitments, duties and obligations	0 (medium)	

Table 5.18: Scores of all Indicators and Total Scores of the Independent Variables

Given this general picture, Rational Choice Institutionalism is the theoretical school that most accurately fits for explaining Regional Policy funding. The political actors, in this case the member states, act according to a 'logic of consequences' and seek to maximize their utility from Regional Policy. While net recipients of the European budget, like Poland, seek to maximize funding for themselves, the net contributors like the Netherlands are mostly concerned of containing their share of the costs for the policy. Spain and Germany use both of these strategies simultaneously. Many arguments are based on explicit calculations. The final policy outcome then clearly reflects the institutional features of unanimity and necessary compromise, in which funding is available for all member states, many of the rational demands of the member states are included and the overall financial envelope is in between the preferences of net contributors and net recipients, so that 'compensations' for both sides are inserted.

The rather ambiguous scores for the indicators of 'Commitment, Duties and Obligations' can be explained by recalling some of the observations on which they are based. It is rather difficult to determine the extent to which actor positions are informed by values such as 'solidarity' and a consequent 'concentration' of funding on the neediest regions and member states. First, the degree of 'concentration' is not always clearly quantified. Second, the concept of solidarity and that of the 'neediest regions and member states' can be interpreted in different ways. Spain for example clearly included itself in the latter category while it is less clear whether Germany and the Netherlands also did so. The 'output' indicator, however, was primarily geared at assessing the funding going to the new member states and Eastern Europe. These differences might explain higher scores for 'input' than for 'output'. Nevertheless, the analysis shows that a general commitment exists among the member states for allocating the greatest part of Regional Policy funding to 'poorer' areas, the exact definition of which, however, might be a matter of 'rational calculations'. 'Medium' as the score of the policy outcome therefore seems appropriate, while 'high' as overall score might not be justified.

The concept of ‘Path Dependence’ with its variable ‘Previous Allocative Decisions’ receives by far the lowest score in the attempt of explaining the allocation of Regional Policy funding. The positions of the member states studied seem to be informed only to a small extent by the previous allocative outcome, and the final allocative agreement on Regional Policy is even less so. Regional Policy therefore seems to be less ‘locked in’ than predicted by the school of Historical Institutionalism. Diverging member state preferences and the requirement of unanimity did not result in an outcome close to the ‘status quo’ of Regional Policy. Possibly, also ‘contextual’ circumstances might have played a role in this regard. Overall, however, ‘path dependence’ is very difficult to detect when ‘only’ looking at one decision-making process and the previous policy outcome. Including more detailed case studies and also previous actor positions might have provided more valid – and possibly different - results.

The results of the analysis roughly correspond to the assessments gained from the expert interviews in that an interplay between ‘Rational Calculations’ and ‘Commitments, Duties and Obligations’ is likely to explain the allocation of Regional Policy funding to an extent. Asked for the impact of ‘Rational Calculations’ on the final agreement on Regional Policy, a German official answered affirmatively by stating that negotiations in the European Council are ‘not exactly a charity’ (Interview 1); everyone brings some calculations to the table. A Dutch official stated that negotiations on the Financial Framework are ‘always a fight about money’ (Interview 3). Two of the interviewees also put forward that the negotiations on the highest political level were rather about financial issues than about the actual substance and content of Regional Policy (Interviews 1 and 2), which would support an explanation in terms of ‘Rational Calculations’.

At the same time, however, it was claimed that solidarity and a commitment to help the neediest also played a role and should not be underestimated (Interview 1). While the negotiations on the Financial Framework are always primarily about money, there seems to be a general feeling of togetherness and solidarity that is also reflected in the outcome. In the view of the German official, however, acting in accordance to these kind of values had played a greater role in the outcomes of former negotiations, where Germany had been more willing to play the ‘paymaster’ of the Union. A Dutch official remarked that there was more talking about solidarity than actual outcomes that reflect a true commitment to this value (Interview 3). This fits well with the results of the analysis. A Polish official (Interview 2) confirmed that the solidarity argument had been used often in the negotiations on Regional Policy, especially by the new member states. His account, however, also casts doubts on the motives behind a position based on solidarity. He stated that while using solidarity with the least developed (new) member states as an argument for pushing for greater funding amounts, Poland deliberately refrained from taking it too far and resorting to a view of ‘new member states only’ or a ‘redistribution’ of expenditure from the EU budget. This, he explained, had practical and tactical reasons. Poland’s preference for Regional Policy for all member states was geared at avoiding tougher rules for the new member states, and at getting agreement from all member states for a larger budget for the policy. Net contributors like the UK and the Netherlands, however, used the solidarity argument for pushing for their utility-maximizing preferences of a low budget for Regional Policy. Seen in this light then, part of the arguments which seem to rest on a normative ‘logic of appropriateness’ are rather ‘Rational Calculations’ in disguise. This might explain the scores on the indicators for ‘Commitments, Duties and Obligations’ of the analysis.

5.3.4 The Importance of Contextual Factors

Notwithstanding the above analysis or possibly additional to its explanatory conclusions, factors different from the institutional ones analyzed are likely to have had an impact on the negotiations on the Financial Framework 2007-2013 and on the allocative decisions in the field of Regional Policy that were taken. A number of such ‘contextual factors’ and possible alternative explanations can be identified.

An important ‘external’ factor to the negotiations on Regional Policy and the whole Financial Framework has clearly been the enlargement of the EU in 2004. Both the Commission and the member states in the Council made much recourse to the challenge of enlargement and the need to incorporate the new member states into the EU structures and policies. Looking back at the 1999 agreement on the Financial Framework and Regional Policy funding, enlargement was already a topic. Back then, its ‘challenge’ to the budget and allocation of Regional Policy funding was accommodated by putting aside a certain amount of money for the new member states whose number and accession dates were still unknown, while continuing Regional Policy for the EU-15 with a largely unchanged budget. In the negotiations of 2005, the ten new member states had joined the negotiation table, further enlargement was likely, and it seemed to have been clear to all political actors – whether for norm-based or for tactical reasons - that allocative changes in Regional Policy funding were necessary. The analysis of the allocative outcome shows that such changes have taken place, although it is questionable whether the new member states are getting their ‘fair share’ of the funding. It seems clear, however, that enlargement – rather in its reality than in its prospect – was a major reason for the allocative changes that took place within Regional Policy funding, most notably the ‘shift’ of funding amounts from the EU-15 towards the EU-10. In that sense, enlargement might have prevented path dependence and constituted a ‘critical juncture’ for the allocation of funding.

Another factor that is likely to have played into the negotiations on the Financial Framework was the economic situation in several of the ‘big’ EU member states. Around the time of the negotiations an economic downturn was experienced e.g. in Germany. In 2002 and 2003, Germany and France had been in breach of the Stability and Growth Pact (the conditions attached to ensuring the stability of the single currency), as their budget deficits had been above the agreed threshold. This was discussed on the European level at the same time as the negotiations on the Financial Framework started. Against this background, the 1%-demand had been stated by the net contributors to the European budget, the argument being that domestic consolidation could not be accompanied by excessive EU budgetary ceilings (e.g. Diller, 2004). In its substance, it was similar to arguments made in earlier negotiations on the Financial Framework. There is some evidence that the argument and the reasoning behind it were generally accepted by the net recipients (e.g. Congreso de los Diputados, 2004). At least, however, it seems obvious from looking at the negotiation process that the 1%-demand and the firmness of its proponents were a major influence in the decision-making process in the (European) Council. In the end, it led to a much less substantial increase of the overall budget and that for Regional Policy than had been proposed by the Commission.

A factor that had a visible impact on the negotiations on the Financial Framework was the EU’s overall strategy for growth and jobs, the Lisbon Strategy, which had been agreed in 2000. Possibly related to the economic problems of some EU member states, progress on the explicit targets of the strategy was slow, as reported by both the Commission and an independent high level group

(Bachtler & Wishlade, 2005). Around the time the negotiations on the Financial Framework gained pace, a 'relaunch' of the strategy was agreed by the member states. The Commission proposals for the Financial Framework were also explicitly geared towards achieving important aspects of the strategy, such as strengthening research, innovation and competitiveness. This was also visible in the area of Regional Policy, where funding was linked to the targets of the strategy. Primarily, this applied to the 'Regional Competitiveness and Employment' objective, under which funding is provided to the richer regions of the EU. The Commission therefore used the Lisbon Strategy as a means to 'repackage' and therefore 'justify' continued funding for rich regions (Bachtler & Mendez, 2007). Arguably, this might have been done for strategic reasons, in order to ensure the agreement of the 'old' member states to an increased budget for Regional Policy.

The negotiations on the 2007-2013 Financial Framework also coincided with the drawing up of the Treaty Establishing a Constitution for Europe and its ratification process that came to a halt after two negative referenda in France and the Netherlands in May and June 2005. Although there seemed to have been a general feeling of the EU being in a 'crisis' in many member states (Deutscher Bundestag, 2005; 2005a; Tweede Kamer 2005h), the negotiations on the Financial Framework were not much affected by it (Interview 1; 2), at least not on the technical level. On the highest political level, however, the two issues were linked – at least in the rhetoric of some heads of state and government - in that it was felt necessary to come to a quick agreement on the Financial Framework in order to demonstrate that the EU still had the capacity and the will to agree on complex issues (Deutscher Bundestag, 2005; 2005a). On the other hand, the constitutional debate was used for different, more strategic reasons. The Dutch government took the negative result of the referendum as additional support for its preference of a low budgetary ceiling and expressed firmness in defending its position in the European Council (Tweede Kamer, 2005i; 2005j; Interview 3).

While the latter factor seems to be at least partly domestic in nature, there is evidence that domestic politics also affected the negotiations on the EU level in other ways. In Germany, elections took place at federal level in 2005, marking a shift of government from a centre-left coalition towards a 'grand coalition' with a new Chancellor, Angela Merkel, from the centre-right. As reported by a German official, in the negotiations on the new coalition to be formed, several centre-right state governments pushed for a more flexible German position in the negotiations on the EU Financial Framework. Included in this was also a demand for a more favourable German position towards Regional Policy funding for richer regions under the 'Regional Competitiveness and Employment' objective. As their demands were successful, the German position indeed changed slightly before the decisive summit of December 2005 (Interview 1; Koalitionsvertrag, 2005). Moreover, the German government and Angela Merkel came to play an important role as brokers and mediators at the December European Council (Vermerk, 2005). Changes in government, however, did not necessarily affect the negotiations on the EU level. A Polish official stated that - despite of a government change from left to right - no changes were made to the Polish position or negotiation strategies (Interview 2).

While the just mentioned 'contextual' factors rather influenced the decision-making on the Financial Framework and the allocation of Regional Policy funding 'from the outside', there are also some factors located 'within' the negotiations that are likely to have affected the process and final outcome and might form part of an alternative or additional explanation of Regional Policy funding. First, as in all agreements that consist of more than one issue, trade-offs or linkages between the different parts of the whole 'package' are likely to be essential features of the negotiation process. In the case of the Financial Framework 2007-2013, one major part of the package had already been decided in advance. The budgetary ceiling for the Common Agricultural Policy had been agreed among the member states in 2002 for the period up to 2013. The UK's attempt at linking any reduction of its rebate to a substantial reform of the CAP – with as goal a lower amount of CAP expenditure – therefore was rather unsuccessful. This left Regional Policy as one of the major issues of the negotiations, and as an additional candidate for budget cuts which can be best evidenced by the first negotiating box proposal of the UK (Council, 2005i; Table 5.4). As has been shown, however, in the end it was rather the 'new' spending categories that had to suffer from the most substantial budgetary cuts. It can therefore be argued that the early agreement on agricultures and the linkages between certain issues in the negotiations might have influenced the decision-making process and the final outcome, also on Regional Policy. Second, it might also have mattered who held the Council Presidency during the final phase of the negotiations. As the Presidency is expected to act as an honest broker and mediator for agreement, and – if necessary – to subordinate its own national interests, the UK with its strong preferences for a restricted budget and financial compensation for itself "would have been much more difficult if it had not been the Presidency" (Interview 2). In that sense, the Presidency and its role might be subject to a special 'logic of appropriateness', geared not towards a commitment to certain policy goals but towards arriving at and facilitating agreement as such. Third, another factor apart from those analyzed is the 'time constraints' that were felt by the main recipients of Regional Policy funding, the new member states. A major priority for them was to get an agreement as fast as possible (Interview 2; Bachtler & Wishlade, 2005) so that the funding programmes could be developed and initiated in time. To that end, these countries might have preferred a deal that did not meet all their preferences over a delayed deal. It can be argued that these factors 'from within' the decision-making process are rather institutional than contextual in their nature.

5.4 Conclusions

This chapter contained a detailed case study of the decision-making process that led to the adoption of the EU Financial Framework for 2007-2013, and within that to the setting of a budget for Regional Policy and an allocation of this money across funding categories and countries. The aim was to determine how Regional Policy funding was allocated, and to find a possible explanation for the decisions on budget and allocation. The negotiation process was described as long and complicated.

It has been found that the budget for Regional Policy has increased to some extent, compared to the previous funding period. The different funding categories of the policy have been simplified and streamlined. While funding is available for all European regions, the funding share going to the least developed regions and member states increased. Yet, also rather generous transitional funding arrangements exist for regions and countries that have dropped out of the highest funding levels. Furthermore, the rules on eligibility and funding levels are marked by numerous exemptions and 'additional provisions', especially for countries like Spain and Italy. Nevertheless, the allocation of funding across countries has undergone a significant shift. The shares and amounts of the member states that joined the EU in 2004 increased substantially, while all 'old' member states lost part of their funding in relative and absolute terms. This makes Poland the main beneficiary of Regional

Policy funding of the current funding period. As a whole, the 12 ‘new’ member states receive slightly more funding than the 15 ‘old’ ones.

The analysis of potential explanatory factors for Regional Policy funding came to several conclusions. First, institutional variables based on Rational Choice Institutionalism and – to a lesser degree – Sociological Institutionalism seem to be able to explain Regional Policy funding to some extent. The actor preferences and the final policy outcome display some features of a normative ‘commitment’ towards making the least developed regions and member states of the EU the primary target of Regional Policy. Apart from this informal and normative institutional feature, however, actor positions also contain specific ‘rational calculations’ geared towards individual utility maximization, and the policy outcome resembles a compromise between the sum of these positions. Unanimity as the required voting rule seems to have been the decisive institutional feature in this regard. All this suggests that also seemingly normative arguments like ‘solidarity’ with the least developed areas of the EU were partly used in a tactical way. Different interpretations of the degree and scope of solidarity were put forward in line with considerations on strategic utility maximization, which resulted in a compromise dictated by unanimity voting. A third institutional variable based on Historical Institutionalism was found to not have much impact on Regional Policy funding, as both actor positions and the policy outcome differed more than marginally from the previous decision on Regional Policy.

Next to the New Institutionalist factors, the influence of contextual factors as possible alternative or additional explanations for Regional Policy funding has been explored. It has been found that enlargement was the major influence on both actor preferences and the negotiation process. It necessitated an increase of funding and/or a shift towards the new member states, therefore presenting a potential ‘critical juncture’ in Regional Policy funding. Also factors like the economic situation, the Lisbon Strategy, the Constitutional ‘crisis’, and domestic elections have been identified as factors that influenced the ‘inputs’ into the negotiations, the positions of the member states and the Commission. Factors that rather had a direct impact on the negotiation process and its outcome might have been the Constitutional ‘crisis’, time constraints by the new member states, trade-offs and issue linkages between different parts of the Financial Framework, and the UK as the decisive Council Presidency. As either ‘procedural’ or ‘normative’ features of the policy-making process of Regional Policy and the EU Financial Framework, these latter ones can also be considered ‘institutional’. While trade-offs and time constraints are rather informal procedural elements of the negotiations, being the Council Presidency or experiencing a ‘crisis’ like the one relating to the failed constitution might require normative commitment from a member state towards actively seeking a fast agreement in difficult negotiations.

6. The Allocation of Regional Policy Funding after 2013: A Forecast

6.1 Introduction

The previous chapter has provided important insights on a possible explanation for Regional Policy funding. This allows for a tentative forecast on next decision on Regional Policy funding which needs to be taken within the negotiation on the Financial Framework for the period after 2013. A look will be taken at the issues that are and will be on the table, and the initial positions of the political actors, before making a prediction on the factors that are likely to underlie and determine the next allocative outcome.

6.2 The Debate So Far

The considerations and debates on the post-2013 design of Regional Policy started early. From 2009 already, conferences were organized on the topic; studies, reports and consultations were launched; the Commissioners in charge and the European Parliament published their views on the future of the policy; and first informal ministerial meetings were held on Regional Policy (EurActiv, 2011). At the end of 2010, this culminated in the publishing of the 'Budget Review' and the 'Fifth Cohesion Report' by the Commission. While the first constitutes a collection of reflections on the next Financial Framework, its structure and the content of its policies on the revenue and expenditure side – including Regional Policy - , the latter takes stock of the achievements of Regional Policy and its conclusion sets out a future direction and architecture of the policy. It was followed by a public consultation, a high-level forum for discussion, and more meetings of the member state ministers responsible for the policy (EurActiv, 2011). In June 2011 then, the Commission published its first general proposals for the future Financial Framework. On the basis of all these documents, records of meetings and the expert interviews held, a number of issues can be identified that will probably be topic of the next formal negotiations on the Financial Framework and especially the area of Regional Policy. These are about to start in the second half of 2011.

6.2.1 The Financial Framework

The Budget Review

The 2005 agreement on the Financial Framework included a 'review clause' in which the Commission was called on conducting a substantial review of the expenditure and revenue side of the EU budget. In October 2010, it presented the results of this review and put forward some thoughts and guidelines for the discussion on the next Financial Framework, albeit without any recourse to numbers. In the introductory remarks of it 'Budget Review', the Commission explicitly linked the Financial Framework with the economic crisis, by pointing to the need for an 'effective' budget in which resources are spent and targeted 'intelligently', with as overall aims 'growth for jobs' and competitiveness (Commission, 2010). Taking stock of the current and previous budgetary periods, the Commission addressed several areas for improvement: next to more effective spending, the budget also needed to be more flexible to account for unforeseen events, budgetary discussions should not primarily be geared towards improving net balances, and agreements should be reached earlier. Furthermore, the slow uptake of funding for Regional Policy was noted. As key principles for the future budget, the Commission identified the need for financing actions with a European added value, making the budget more 'results-driven' and efficient, continue the commitment to solidarity and targeting the most vulnerable, and a reformed revenue side with a visible connection between policies and revenues.

Most importantly, however, the budget should focus on key priorities, i.e. on those of 'Europe 2020', the successor of the Lisbon Strategy. The Commission therefore presented the main EU expenditure policies in line with those priorities (Commission, 2010). Under 'smart growth', research, innovation, education and cross-border infrastructure should be strengthened. Under 'sustainable growth', on the one had energy and climate policies should be 'mainstreamed', either by creating special funds for channeling investments into these areas or by adjusting existing expenditure policies towards energy and climate goals (Commission, 2010). On the other hand, the Commission set out different options for reforming the Common Agricultural Policy. Under 'inclusive growth', Regional Policy was addressed, the details of which are described below. Furthermore, the Commission set out several spending priorities in the areas of citizenship, EU external policy, administrative expenditure and pre-accession aid.

Next to mentioning its spending objectives, the Commission also pointed out with what kind of means it intended to 'deliver results' on them. It proposed to use a broadened and creative range of financial instruments, such as partnerships with the private and banking sector, revenues from the users of EU-financed infrastructure, and EU project bonds. Overall, it wanted to strengthen incentives for effective and efficient spending, the coordination between different EU and national funding instruments, and conditionality for receiving funds. The Commission proposed options for making the expenditure under the Financial Framework more flexible, and for administrative simplification. In terms of the structure of the budget, it suggested to either reduce the number of headings towards a simple division between internal, external and administrative expenditure, or to organize them around the Europe 2020 priorities (Commission, 2010). For the revenue side of the budget, it proposed to end the VAT-based own resource and to introduce own resources with direct links to EU policies. To this end, it made several suggestions. The Commission furthermore stated that with 'reinforced spending' on new objectives like research, energy and climate, the need for budgetary correction mechanisms might be reduced (Commission, 2010).

The Official Proposal

The Commission proposals of June 2011 take up many aspects mentioned in the budget review. Explicitly linking the Financial Framework to the goals of Europe 2020, 'smart, inclusive and sustainable growth', is very much stressed in its 'ambitious but responsible proposals' (Commission, 2011c). It is also reflected in the budgetary headings. While 'Smart and inclusive growth' mainly comprises activities in research, education and Regional Policy, 'Sustainable growth' includes the CAP, rural development and environmental policies. The other budgetary headings proposed are 'Security and Citizenship', 'Global Europe, and 'Administration'. Next to mentioning its spending objectives, the Commission also points out what kind of means and principles the financial and policy proposals are based on. A 'focus on results' is sought by a concentration of the expenditure policies on a limited number of priorities, and by enacting overall coordination mechanisms between different programmes. More 'conditionality' in the reception and the spending of funds is envisaged. A better cooperation with the private sector on 'innovative financial instrument is needed for ‘leveraging investment’. Also, proposals for the ‘simplification’ of spending programmes, overall budgetary rules and a more efficient EU administration are made (Commission, 2011c). Different from its earlier view that a ten-year period with a substantial mid-term revision would best serve the EU and its priorities, it now proposes a ‘traditional’ 7-year period from 2014-2020 for the Financial Framework.

In line with its thematic priorities and policy principles, the Commission suggests several changes to the EU expenditure policies. It wants to create a Common Strategic Framework that should unite, coordinate and simplify all EU and national activities in the area of research and innovation. Similarly, it wants to set up a common strategic framework for all Structural Funds and integrate the spending programmes on ‘education, training and youth’. A new facility, ‘Connecting Europe’ shall fund priority infrastructure projects. The CAP is proposed to be ‘greened’, while increased convergence and ‘capping’ of payments is sought. Integrating and better coordinating spending is also proposed for the other expenditure categories. For the revenue side of the budget, the Commission had long envisaged to introduce own resources with direct links to EU policies (Commission, 2010). In its formal proposals, it suggests the introduction of a tax on financial transactions and a new VAT resource. This should bring down the national GNI-based contributions and so reduce the frictions over net balances and austerity in the budgetary negotiations (Commission, 2011c). The Commission also seeks to change the complicated system of rebates.

Several EU member states have once again attempted to pre-empt the official Commission proposals on the overall budgetary ceiling. In December 2010, the heads of state or government of the UK, Germany, France, the Netherlands and Finland sent a letter to Commission President Barroso in which they demanded a future ‘stabilized’ budget with increases not higher than the rate of inflation (Letter, 2010). The net contributors argued that this is necessary because “European public spending cannot be exempted from the considerable efforts made by the member states to bring their public spending under control” (Letter, 2010). While waiting for the concrete Commission proposals, also the experts interviewed did not expect substantial changes to the Financial Framework – compared to the 2007-2013 one -, in terms of budgetary ceilings and structure (Interview 3). They certainly did not see the chance for a rise in the amount of overall EU expenditure (Interview 1). If anything, more resources are likely to be allocated towards research and development and less money to agriculture (Interview 3). Looking at the Commission proposals (Table 6.1), these expectations can largely be confirmed. The Commission is proposing an overall ceiling on budgetary commitments of 1025 billion euro (1.05% of EU GNI), which presents a 5% increase compared to the current one. Despite the renaming of some budgetary headings, the structure of the Financial Framework does not seem to be changed. The budgetary ceilings are, however. A lower level of expenditure for the CAP is proposed, along with increased spending on research, citizenship and justice, as well as EU external policies (Commission, 2011c; 2011d). Different from 2004, the Commission also published a very detailed breakdown of expenditure within the different headings. This is shown in Table 6.2 in the annex.

6.2.2 Regional Policy

The future of Regional Policy has already been much-discussed and reflected upon. A clear picture on the Commission’s preferences on the substance and financial aspects of the policy has emerged, next to some clues on the preferences of the other political actors.

As in the overall Financial Framework, the Commission is in favour of aligning Regional Policy closely to Europe 2020, in its content as well as in its procedures. It wants the funding to be concentrated on a limited number of thematic priorities, in line with the EU's overall strategy for growth, and in close coordination with other EU (expenditure) policies (Hübner, 2009; Samecki, 2010, Commission 2010, 2010a; 2011c). To increase overall policy coordination, the Commission intends to develop a 'Common Strategic Framework' in which the 2020 objectives are translated into concrete investment priorities common to several EU expenditure programmes (Commission, 2010; 2010a: 2011c). A Partnership Contract between each country/region and the Commission would then be negotiated, based on a development strategy that needs to be outlined in the member states' National Reform Programme on Europe 2020. Reporting and peer review processes could also be introduced and aligned to the procedures of Europe 2020. An overall priority for the Commission is an effective and results-oriented spending of Regional Policy funding (Hübner, 2009; Samecki, 2010; Commission, 2010; 2010a). Clearly defined targets, objectives and indicators for effective spending should be set and evaluated (Samecki, 2009; Commission, 2010; 2010a). The Commission also proposes to extend conditionalities and incentives for the reception of funding and effective spending.

In its early written contributions to the debate on the future of Regional Policy, the Commission had not given an indication on a desirable size of its budget in the Financial Framework. The current Commissioner for Regional Policy, Johannes Hahn, had, however, indicated that he would be pleased to keep the current level of funding for the policy (EurActiv, 2010; 2011; Interview 1; 2;3). In the Commission's proposal on the Financial Framework, the budget for the policy seems slightly increased, from 348 billion euro to 376 billion euro (Commission, 2011c; 2011d). It includes, however, a new instrument on infrastructure networks which will be managed centrally by the Commission. When subtracting the expenditure for this item, as shown in Table 6.1, the proposed budget for Regional Policy is less than that of the current period (336 billion euro).

As to the architecture of Regional Policy, i.e. the different funding categories and the allocation of funding between them, the Commission favours a policy in which all regions are eligible for funding (Samecki, 2009; Commission, 2010; 2010a). As a major change to the current architecture, however, the Commission proposes an 'intermediate' funding category for all regions whose per capita GDP is between 75% and 90% of the EU average (Commission, 2010a; EurActiv, 2011; Interview 1). This would then replace the current phasing-in and phasing-out arrangements and include other regions within the proposed wealth level. The level of funding for the regions in this category would be between that of Convergence and Regional Competitiveness and Employment. Table 6.3 in the annex shows the proposed breakdowns of Regional Policy funding across the different objectives, and Figure 6.1 and 6.2 show the changes in funding amounts and shares. Of the suggested 336 billion euro that are to be allocated between regions and member states, the shares and amounts for Competitiveness regions and European Territorial cooperation are slightly increased, while those for Convergence regions are decreased compared to the current period. 12% of the funding is allocated to the new category 'transition regions'. Furthermore, the Commission advocates a lower level of 'capping', to be set at 2.5% of national GNI.

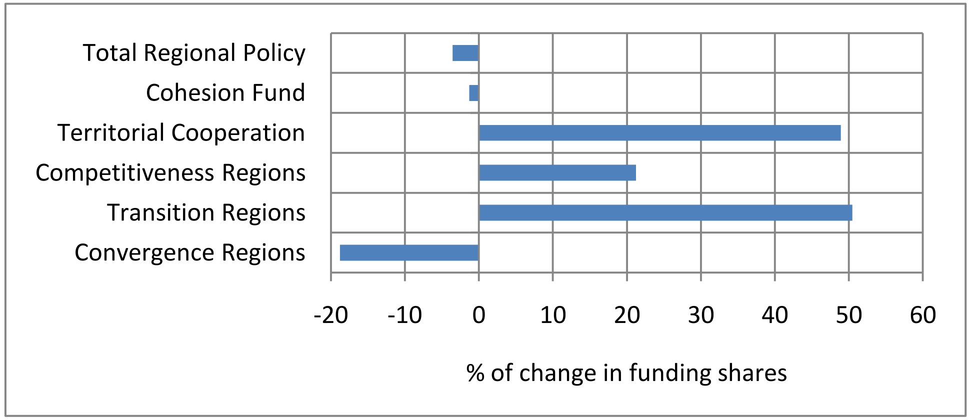
Some first discussions on Regional Policy between the governments of the EU member states give an indication on the issues to be brought up in the upcoming negotiations on the Financial Framework.

It has been stressed that - at least prior to the Commission proposals - the debate was rather focusing on the substance of Regional Policy than on its financial implications, as in the previous negotiations (Interview 1; 2). A majority of member states – comprising both net contributors and net recipients, and old and new member states - is in favour of Regional Policy funding for all regions (Presidency Conclusions, 2010; Commission, 2011; Interview 1; 2; 3). While a better coordination with other policies and funds, an alignment of Regional Policy to deliver the objectives of Europe 2020 and a concentration on few priorities is mostly regarded positively, the member states stress that such an approach needs to include a degree of flexibility for countries and regions to define and implement their own tailored development strategies (Commission, 2011; Council Presidency, 2011). Furthermore, the member states are concerned about a 'sectoral split' of Regional Policy funding, and about certain types of conditionality proposed by the Commission. They also warn that a move towards measures for more effective spending should not come at the cost of complexity (Presidency Conclusions, 2011). Some major net contributors demand a decrease in the budget for Regional Policy; other member states – primarily net recipients of Regional Policy funding - at least want to retain the current one (Commission, 2011a; 2011b). While most member states are in favour of maintaining the three present categories of Regional Policy funding, several member states – those supporting budgetary cuts, and some of net beneficiaries of funding - advocate the allocation of a greater proportion of the funding to the poorest regions and member states under the Convergence objective (Commission, 2011a; 2011b). The 'intermediate' category of funding has both supporters and opponents, also among those countries whose regions would be eligible. Several, but not all major net contributors oppose the proposal (Presidency Conclusions, 2010; Commission, 2011a; 2011b).

The European Parliament adopted its view on the Commission ideas in June 2011. Like the member states, it opposes a 'fragmentation of spending' between different sectors and some forms of conditionality as proposed by the Commission. It backs the idea of a Common Strategic Framework for all EU expenditure policies and some harmonization of the rules governing them. It agrees to an alignment of Regional Policy to Europe 2020, although it states that the core elements of the strategy are already part of Regional Policy. In terms of budget and allocation of funding, the European Parliament advocates a budget of at least the current size, a bigger share of funding for cross-border cooperation, and the intermediary category proposed by the Commission (European Parliament, 2011).

Commitment Appropriations	2014	2015	2016	2017	2018	2019	2020	Total
1. Smart and Inclusive Growth	64.696	66.580	68.133	69.956	71.596	73.768	76.179	490.908
Regional Policy	46.544	47.029	47.428	47.895	48.484	49.041	49.589	336.020
Regional Convergence	22.032	22.459	22.836	23.227	23.631	24.012	24.393	162.590
Transition Regions	5.549	5.555	5.560	5.565	5.570	5.574	5.579	38.952
Competitiveness	7.592	7.592	7.592	7.592	7.592	7.592	7.952	53.143
Territorial Cooperation	1.671	1.671	1.671	1.671	1.671	1.671	1.671	11.700
Cohesion Fund	9.577	9.620	9.636	9.708	9.888	10.059	10.222	68.710
Outermost and sparsely populated regions	0.132	0.132	0.132	0.132	0.132	0.132	0.132	0.926
2. Sustainable Growth: Natural Resources	57.368	56.527	55.702	54.861	53.837	52.829	51.784	382.927
3. Security and Citizenship	2.532	2.571	2.609	2.648	2.687	2.726	2.763	18.535
4. Global Europe	9.400	9.645	9.845	9.960	10.150	10.380	10.620	70.000
5. Administration	8.542	8.679	8.796	8.943	9.073	9.225	9.371	62.629
Total Commitment Appropriations	142.556	144.002	145.085	146.368	147.344	148.928	150.718	1025.000
as a percentage of GNI	1.08%	1.07%	1.06%	1.06%	1.05%	1.04%	1.03%	1.05%
Total Payment Appropriations	133.851	141.278	135.516	138.396	142.247	142.916	137.994	972.198
as a percentage of GNI	1.01%	1.05%	0.99%	1.00%	1.01%	1.00%	0.94%	1.00%

Table 6.1: *Commission Proposal for the Financial Framework 2014-2020 (in billion euro, 2011 prices) (Source: Commission, 2011c)*



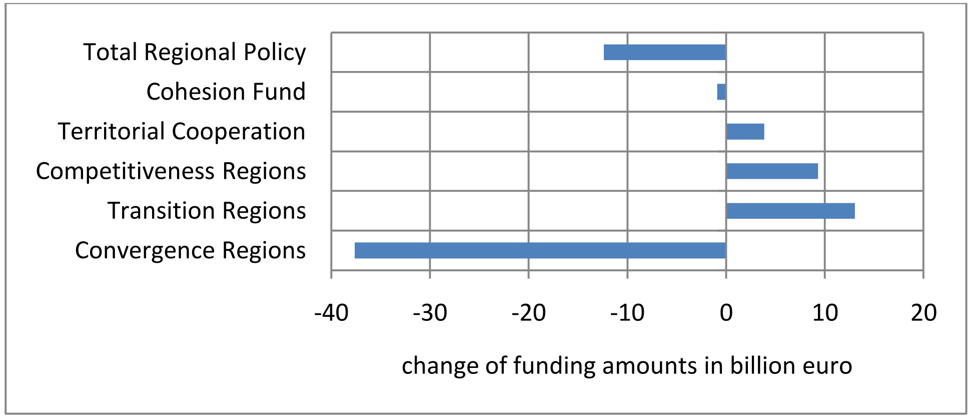


Figure 6.1 and 6.2: Regional Policy funding 2007-2013 and Commission proposal for 2014-2020 compared (Source: Table 6.3)

6.3 A Forecast on Regional Policy Funding

So far, a possible explanation for the allocation of Regional Policy funding has been analyzed and determined in the previous chapter, and the issues and positions that are likely to be important in the upcoming negotiations on the Financial Framework and Regional Policy have been summarized. On the basis of this, an outlook or forecast can be attempted on the factors that will determine Regional Policy funding in the negotiations on the 2014-2020 Financial Framework, and their likely outcome. Like in the current period, both New Institutionalist and contextual factors might be important for an explanation of Regional Policy funding.

6.3.1 New Institutionalist Explanations

Following the analysis of the negotiations and allocative outcome on Regional Policy in the current (2007-2013) Financial Framework, Regional Policy funding can be explained by a combination of 'Rational Calculations' of all political actors and 'Commitments, Duties and Obligations' towards helping the poorest EU member states and regions. It might therefore be the case that these two variables will again play an important role in the process of determining the next budget for Regional Policy, and its allocation across different categories and countries.

Normative institutional factors such as a commitment to solidarity with the poorest member states and regions will probably once again be an important underlying determinant of any future negotiations and agreements on Regional Policy funding. Solidarity and a concentration of funding on the least developed EU areas are again part of the Commission, member state and EP positions so far. In the expert interviews, however, it was noted that at the same time a great majority of the political actors agrees that all EU regions should benefit from funding under the Regional Policy budget (Interview 1; 2; 3). While for the Polish official interviewed this amounts to 'less solidarity' in the traditional sense (Interview 2), the German official explained that European solidarity has also come to mean that all regions benefit from funding – as is currently the case - so that Europe remains visible for all of its citizens (Interview 1). In line with evidence from 2007-2013 and previous funding periods, this is, however, not likely to mean that – as a result of the upcoming negotiations - funding will be re-allocated from relatively poorer to relatively richer member states and regions. Also in the event of budgetary cuts to Regional Policy, it is likely that those would have a greater impact on funding to richer EU areas. The same has been suggested for the introduction of an 'intermediate' category of funding as proposed by the Commission (Interview 1). In this regard, the proposals of the Commission to reduce funding for the Convergence regions and to lower the level of capping seem to be rather puzzling.

Overall, it can be expected that the exact meaning and use of 'solidarity', the definition of 'least developed member states and regions', the content of an intermediary category of funding, and the necessary budget for Regional Policy will be interpreted by each political actor according to own utility-maximizing 'Rational Calculations', as has been the case in the previous agreement. In terms of the budget for Regional Policy, a disagreement between net contributors and net recipients seems again likely, with the former group advocating a decreased budget, and the latter demanding at least a similar level. Regarding the allocation of funding within Regional Policy - in terms of categories, funding shares, and rules for allocation – a first glance at the current member state positions also reveals differences that serve utility-maximization for each country (see Commission, 2011a; 2011b). It is therefore likely that the upcoming negotiations on Regional Policy in the Financial Framework – due to the unanimity rule - will again result in a compromise in which every member state gets something. A decrease in the (proposed) budget for Regional Policy might e.g. be accompanied by a greater concentration of funding on the Convergence objective. The transitional funding arrangements and their possible accommodation in a new category of funding will also be subject to much debate and will probably require a compromise. Additional provisions, 'special' allocations and exemptions from the rules are then likely to be part of the following agreement.

The analysis of Chapter 5 also showed that Regional Policy funding in the current period (2007-2013) can rather not be explained by path dependence, i.e. no or marginal changes from 'Previous Allocative Decisions' due to a lock-in of the policy. For the upcoming decision-making process this would mean that - also in the event of diverging preferences of the political actors - the final policy outcome does not necessarily have to lie close to the status quo for everyone to agree to it. At least so far, however, it seems that this time the preferences on both the budget and allocative aspects of Regional Policy are closer to the status quo than in the previous negotiations. This is at least true for the revealed preferences and expectations of several member states. As a Polish official stated, "We expect that – probably in nominal terms – we will get roughly the same amount of money" (Interview 2). A Dutch official also expects Regional Policy to "be more or less the same" (Interview 3). It might therefore be that the Regional Policy funding after 2013 will at least *look* more path dependent than in the current period, without this necessarily being the effect of a true policy lock-in. The first Commission proposal on the Financial Framework for 2014-2020 does only partly support this view, however. While the proposed budget for Regional Policy and its location in the Financial Framework is indeed much closer to the status quo than it had been in the previous negotiations, the suggestions on the allocation of funding within the policy differ from previous outcomes and proposals in several important ways. However, it has to be borne in mind that the official debate on financial and allocative issues is only at its beginning.

6.3.2 Contextual Explanations

Like in the previous negotiations, contextual factors might again deliver alternative or additional explanations for the budget and allocation of Regional Policy funding for the period after 2013. A distinction can be made between factors completely external to the negotiations and independent of them, and those that might have an impact on the negotiations 'from within'.

First of all, one external factor that is likely to have played an important role in the negotiations on the current allocation of Regional Policy funding will be largely absent from the upcoming debate. Enlargement will not, as previously, provide a rationale for further increases in the budget for Regional Policy or another substantial shift of allocative shares towards new poor member states. The only change will be that the two newest EU members, Romania and Bulgaria, will now be actively involved in the negotiations, so that the new member states could form a stronger block than before. With actor positions so far being closer to the status quo than in the previous negotiations, it might be the case that enlargement has been a 'critical juncture' that set the allocation of funding between the EU member state on a new 'path' where it is likely to remain for the time being.

Like the previous negotiations, the upcoming ones will also be influenced by aligning the Financial Framework to the EU's overall strategy for growth and competitiveness, Europe 2020. This will probably be reflected in the overall structure of the Financial Framework and in the thematic, procedural, and strategic aspects of Regional Policy. It might also strengthen the demands of several member states for a 'modernization' of the EU budget, towards more spending for areas like research and less for traditional policies like agricultural and Regional Policy. Also the Lisbon Treaty which entered into force in 2009 probably necessitates more spending on areas in which EU competencies have been enhanced, such as external relations. This might also come at the expense traditional expenditure policies.

Apart from that, the economic situation in the EU, more specifically the economic and financial crisis of the previous years and the resulting problems of some members of the eurozone, are likely to be significant for the debate that will start soon and for the positions of the political actors. The demand of the five net contributors for not more than a stabilization of the current overall ceiling of the Financial Framework is again based on the need to consolidate public spending in a difficult economic period. Naturally, the contributions of some member states to the European budget will decrease as a result of the crisis and countries are less flexible in how much money they can spend (Interview 1; 2). Overall, such considerations might make the upcoming negotiations on the size of the Financial Framework and the budget for Regional Policy even tougher than in previous times (Interview 1; 2). It is also part of the reason why more emphasis on the *effective* spending of budgetary resources is put. On the other hand, however, the crisis also presents an imperative for the political leaders to reach an agreement fast, in order to 'send a political signal that the Union works' and to 'show unity' (Interview 2). All political actors seem to be rather realistic in terms of the budgetary ceilings that can be expected (Interview 2; 3). In the end, this might actually make an agreement easier to reach than before the crisis. Because of their massive problems and consequent drop in prosperity, more Regional Policy funding might go to countries like Greece, Spain and Portugal and a bit less to the Eastern European countries whose economic growth rate is higher (Interview 3). Furthermore, the fiscal difficulties of some EU member states and the bad experiences with the ability to co-finance projects under EU Regional Policy seem to have prompted the Commission to propose a decreased maximum level of funding per member state (see also Interview 1). Yet, because of improved economic conditions over the whole period of the current Financial Framework, the Commission also estimates that more than 30 current Convergence regions will no longer be eligible for Convergence funding after 2013 (EurActiv, 2011). While presenting a potential justification for cuts to the budget for Regional Policy and the suggested decrease in the share for Convergence funding, these issues are likely to bring about a difficult debate on the allocation of Regional Policy funding .

A factor that is rather institutional in its nature and therefore might have an impact on the negotiations on the Financial Framework and Regional Policy 'from within' will be the changed decision-making procedure following the Lisbon Treaty. The Financial Framework is now officially part of the Treaty and will be agreed as a Council Regulation - not an Interinstitutional Agreement – by unanimity of the Council and the consent of the European Parliament (see TFEU Art.312 in annex B). This mechanism, however, does not seem much of a change from former practice. More importantly, there have been changes to the way in which the main legislative instrument of Regional Policy has to be decided. First, the EP it is now a full co-legislator. This is likely to make it a more visible and determined player in the debate, also on the Financial Framework. Because of its strong regional interests (Interview 1), the EP might ask for a higher budget for Regional Policy (Interview 2) than other political actors and risks to delay the process of finding an agreement with the member states. Probably therefore, the EP will be integrated better in the negotiation process by means of an early trialogue with the Commission and Council (Interview 1). Second, the Council will be able to decide on the main legislative document for Regional Policy by QMV. It is, however, questionable whether this will make the negotiation process 'smoother', as the Council prefers to take important decisions by consensus, and because the Financial Framework – which still needs to be agreed unanimously by the member states – will probably have addressed already all major allocative decisions of Regional Policy.

There are also other factors that are likely to affect primarily the timing of the agreement on the next Financial Framework. First, a number of new, small or troubled member states will hold the Council Presidency; "no Tony Blair will push for an agreement" (Interview 2). Second, it might be that the negotiations in the (European) Council will have to 'wait' for the election of France (2012) and Germany (2013) to have passed (Interview 2). Third, the Commission proposals on the Financial Framework and its core policies are already being published later than last time. Time pressure therefore might play an important role in the negotiations, and might again push net recipients of Regional Policy funding towards agreeing to a less-than-ideal deal (Interview 3). Lastly, trade-offs and issue linkages might once again play a role in the Financial Framework and might impact on Regional Policy. Trade-offs between corrective mechanisms of the revenue side of the budget and a 'modernization' of expenditure policies – to the detriment of agriculture and Regional Policy – are possible. Another trade-off is actively promoted by the Commission: a different mix of 'own resources' with decreased member state contributions on the revenue side is hoped to lead to less difficult negotiations on the Financial Framework. This might also pay out in a positive way for the budget of Regional Policy and its allocation. Of all these factors, most are not of a truly contextual nature, as they are part of the negotiation procedures.

6.4 Conclusions

This chapter has provided insights into the current debates on the next Financial Framework and Regional Policy funding, at a point in time shortly before the start of the official negotiations in the (European) Council. So far, the discussions on both the Financial Framework and Regional Policy are characterized by an emphasis on effective spending and a thematic and strategic alignment towards the Europe 2020 strategy for smart, sustainable and inclusive growth. The Commission proposes a slightly increased Financial Framework, in which the budget for the traditional elements of Regional Policy is slightly decreased. Most notably, a category of 'transition regions' is being proposed, as well as some cuts to the funding of Convergence regions and lower levels of 'capping'.

Following the result of the analysis of Regional Policy funding in the current Financial Framework and the starting debate, it can be expected that a commitment towards solidarity will be an important underlying factor of a future agreement on Regional Policy funding. On that basis, however, rational calculations and utility-maximizing strategic considerations are likely to dominate the debate again, as will – maybe to a lesser extent - the division between net contributors and 'old' and 'new' net recipients of Regional Policy funding. Unanimity as a voting rule will again require a compromise with benefits for all groups of member states involved. Yet, it seems that the positions of the actors are closer to each other and to the status quo than in the last negotiations. This might point to a greater role of path dependence after the critical juncture of enlargement. It is probably helped by the implications of the economic and financial crisis and other contextual factors which make budgetary increases for Regional Policy very unlikely. Overall therefore, there is a chance that Regional Policy funding post-2013 will not be substantially different from the current period, with a budget similar or slightly decreased, and funding shares between countries roughly the same. In order to make a better prediction, however, the detailed Commission proposal on the Regulation for the Structural Funds needs to be awaited, and the discussion in the (European) Council and European Parliament.

7. Conclusions

After having analyzed Regional Policy funding in previous, current and future periods, it is time to draw conclusions from the research project. This will be done in three steps. First, the main research question will be answered, with the help of the different sub questions. Second, and on the basis of that, recommendations will be stated concerning the 'fairness' and possible improvements of Regional Policy funding. Third, some general remarks on the method and process of conducting the research will be given, and possible shortcomings and improvements will be indicated.

7.1 Conclusions

This research project has analyzed the allocation of EU Regional Policy funding, by studying both the budget for the policy and its allocation across different funding categories and countries. The decision-making process on Regional Policy has been looked at in conjunction with that on the Financial Framework of which it forms an important part. The current funding period (2007-2013) has been studied in depth, while an overview on earlier periods have been given. On the basis of that, the debate on the future of Regional Policy funding has been explored. The main research question has been: *How can the allocation of Regional Policy funding be explained?* In order to answer this question, three sub questions have been posed, which will be addressed in turns.

A first step in finding an explanation for Regional Policy funding has been to find out *how the funding for the policy has been allocated in current and previous periods*. From the descriptive accounts of the decision-making processes for the previous and current funding period, it has become clear that the debate on Regional Policy funding is embedded in the bigger one on the EU's multi-annual Financial Framework. Moreover, it seems to present an important part of the budgetary package, and is therefore also subject to the tensions between net contributors and net recipients of the EU budget.

It has been found that until 2000 the budget for Regional Policy had increased. For the period of 2000-2006 it remained nearly constant – with some extra money for the newly acceded member states. In the current period (2007-2013) the budget for Regional Policy has increased again, but not substantially. Its share of the total Financial Framework has, however, increased from 22% in the late 1980s/early 1990s to some 35% at the moment. The different objectives and categories of funding have been changed and simplified throughout the different periods. Currently, only three categories exist: Convergence, which provides the highest possible levels of funding for the least developed regions and includes the Cohesion Fund for the least developed member states; Regional Competitiveness and Employment, for which all other regions are potentially eligible; and European Territorial Cooperation, which aims at encouraging cooperation between regions and across national borders. Transitional arrangements for those regions that have dropped out of the highest level of funding are also in place. The basic eligibility threshold for a region to receive the highest level of funding has remained throughout the years at 75% of the average per capita GDP of the EU. For the Cohesion Fund, it remained at a national GDP per capita of below 90% of the EU average. The exact calculation of funding amounts per region has, however, changed to some extent (at least in the current period), as have the eligibility criteria and calculations within the other funding categories.

In terms of the actual allocation of funding, the largest share of the budget for Regional Policy has always gone to the least developed regions and member states, as indicated by the criteria stated above. Together, the share of these funding objectives has increased steadily from some 64% in 1988-1993 to almost 82% in 2007-2013. From a country point of view, the Mediterranean countries (Spain, Portugal, Greece, Italy) and Germany have been the main beneficiaries of Regional Policy funding between 1988 and 2006, with Spain receiving by far the largest amounts. From 2007 on, Poland is the biggest beneficiary of Regional Policy, followed by Spain. Italy and Germany are still among the major recipients, but Czech Republic and Hungary receive about as much. Overall, Regional Policy funding has been shifted from the 'old' to the 'new' member states. The former have lost up to half of their prior funding while the latter – due to the budget increase – gained up to almost 300% in funding.

A second – and most important – sub question has been: *Which factors determine the allocation of EU Regional Policy funding?* In order to answer this question, a theoretical framework based on New Institutionalism has been developed and tested on the case of the current funding period (2007-2013) in the form of a congruence analysis. In the theoretical framework, it has been suggested that institutions – formal or informal rules, procedures and norms – have an impact on the decision-making process and its outcome. Three competing hypotheses have been formulated, following the three main theoretical strands of New Institutionalism.

First, under Historical Institutionalism, path dependence or 'previous allocative decisions' have been hypothesized to lead to a 'lock in' of Regional Policy with only incremental allocative changes. The institutional factors responsible would be member state control of the decision-making process, unanimity as the voting rule, as well as sunk costs and rising costs of exit as a determinant for member state preferences. Second, under Rational Choice Institutionalism, it has been hypothesized that Regional Policy funding is determined by a 'logic of consequences', i.e. the 'rational calculations' of the political actors on how to maximize their utility from the policy. Unanimity as the voting rule in the (European) Council would then be the institutional factor that caused a compromise which included benefits to every member state. Third, under Sociological Institutionalism, normative institutional factors or a 'logic of appropriateness' have been hypothesized to have the biggest impact on Regional Policy funding. A 'commitment, duty, or obligation' towards 'cohesion' and 'solidarity' with the least developed European regions would be the major institutional factor, and would inform actor positions as well as the policy outcome. Indicators for all three hypotheses have been developed, following the 'input-output approach' which looks at actor preferences and the final policy outcome of negotiations in the (European) Council. Expert opinions have been collected as a supplement for the analysis. The result of the in-depth analysis of the decision-making process of the 2007-2013 period and its outcome is summarized Table 7.1 below. It should, however, be kept in mind that the operationalization of the variables, the measurement of the observations and the selection of cases suffer from some deficits in terms of validity and reliability, which will also be addressed in the last section of this paper. The results of the formal analysis should therefore be seen as tendencies and treated with caution as to their precision.

New Institutionalist Approach	Concept	Variable	Indicator	Score on Indicator	Total Score
Historical Institutionalism	Path Dependence	Previous Allocative Decisions	Link between actor positions and previous allocative decisions	low	**low**
			Congruence between allocative outcome and previous allocative decisions	low	
Rational Choice Institutionalism	Logic of Consequences	Rational Calculations	Link between actor positions and 'rational' calculations	high	**high**
			Congruence between allocative outcome and rational calculations	high	
Sociological Institutionalism	Logic of Appropriateness	Commitments, Duties, Obligations	Link between actor positions and commitments, duties and obligations	high	**high**
			Congruence between allocative outcome and commitments, duties and obligations	medium	

Table 7.1: Outcome of the Formal Analysis on the Determinants for the Allocation of Regional Policy funding 2007-2013

It has been found that the variables of the second and third hypothesis both receive a 'high' score in the analysis of the decision-making process on the current allocation of Regional Policy funding. In line with the hypothesis based on Sociological Institutionalism, member state preferences and the final policy outcome both seem to be informed by a basic commitment to solidarity with the least developed and most lagging areas of the EU. This normative institutional factor that reflects the overall goal of Regional Policy seems to inform the initial member state preferences more than the actual policy outcome, however. It has been suggested that different interpretations of 'least developed regions' or a 'concentration of funding' might be the cause. This also fits well with the even higher score that the variable 'rational calculations' received in the analysis. In line with the assumptions of Rational Choice Institutionalism, member states have utility-maximizing preferences on the issue of Regional Policy funding and engage in rational calculations. Differences in preferences can be found between net contributors and net recipients of the EU budget as a whole, between countries that benefit a lot from Regional Policy funding and those that do not, and between 'old' and 'new' member states. As expected, the unanimity requirement made the policy outcome of Regional Policy a compromise, in which each country continued to receive funding, many exceptions to the funding rules and eligibility criteria were agreed, many rational preferences of the member states found their way into the agreement, and compensations between budgetary and allocative provisions seem to exist. Overall, it therefore seems that Regional Policy funding in the case studied was determined by a combination of a normative commitment towards 'solidarity' and 'concentrating' the money on the least developed regions and member states, the exact interpretation of which were, however, subject to rational calculations which the unanimity rule turned into a complex compromise.

The first hypothesis based on Historical Institutionalism did only receive a 'low' degree of support. Member state preferences and the final policy outcome did not bear much resemblance with the previous allocative decision. Exceptions were the preferences of two 'old' member states and major beneficiaries of funding, and some eligibility criteria for funding that were found to be path dependent to some extent. In terms of the allocation of funding across countries, it seems like earlier funding periods saw only rather incremental changes in funding shares. This does not necessarily mean, however, that Regional Policy funding was more path dependent then. A reason for these developments might be the enlargement of the EU in 2004 and 2007 when 12 mostly poor new member states joined. While already in the negotiations for the period 2000-2006 the prospect for enlargement is likely to have induced budgetary austerity in the Financial Framework and Regional Policy for the EU-15, it necessitated some kind of change in Regional Policy funding in the next period, as the 'new' members only received comparatively small sums of funding after their accession. This was acknowledged by all political actors involved. As such, it seems to have been a major 'contextual' influence on Regional Policy funding, possibly presenting a 'critical juncture' in the allocation of funding across countries and categories, also because of its influence on the preferences of the political actors.

Enlargement has, however, not been the only contextual factor that has been found to impact on Regional Policy funding and therefore could be an alternative or additional influence on the decision-making process and outcome. Several factors, such as the economic situation, the EU's overall strategic goals, and the course of European integration including its crises have been found to influence the preferences of the political actors on the Financial Framework and Regional Policy within it. Others, like time constraints, issue-linkages, and the 'duties' that arise from being the Council Presidency are additional institutional factors that might have shaped the agreement on Regional Policy and the overall Financial Framework of the EU.

A third step in analyzing Regional Policy funding was to engage in a *forecast on the decision-making process and likely allocative outcome for the next funding period (after 2013)*. Based on some first inputs into the debate and the insights of the study of the current funding period, a prediction was made. Overall, the budget for and the allocation of funding within Regional Policy will probably not be much different from the current situation. Considering that a general normative commitment to solidarity, but also rationally calculated preferences will play a role in the negotiations, unanimity might push the final outcome towards the status quo. This is because the preferences of the member states seem to be closer to each other and the status quo, indicating some room for 'path dependence'. Yet, it is likely that this situation originates rather in contextual factors like the financial crisis, the Europe 2020 strategy and the absence of enlargement which do not justify an increased budget for Regional Policy. Economic considerations, as well as rational and normative ones might, however, result in changes to the allocation of funding within the policy, such as the creation of an 'intermediate' category for funding or a slight shift of funding back towards some of the troubled 'old' EU member states. Next to that, the influence of institutional factors like, issue linkages, time constraints, the role of the Presidency, and the changed role of the European Parliament could have an impact on the policy outcome.

Finally, an attempt to answer the question on how the allocation of Regional Policy funding can be best explained can be made. Both institutional and contextual factors seem to play a role in shaping the decision-making process and therefore the final policy outcome. A combination of normative commitments and rational and strategic calculations, structured into complex compromises by the unanimity rule, is likely to be part of an explanation for Regional Policy funding. The influence of path dependence is less clear and requires more thorough study across several cases. The Eastern enlargement of the EU might present a 'critical juncture' and an alternative explanation in this regard. Other contextual factors seem to have been important especially in shaping the preferences of the political actors while additional institutional factors relating to the negotiation procedures seem to have had an impact on the decision-making process and its outcome. Overall, the issue Regional Policy funding appears to be heavily intertwined with the general debate on the Financial Framework of the EU of which it is part of. Part of the explanatory factors that have been found to apply for Regional Policy funding might therefore also apply to the multi-annual EU 'budget' as a whole, or other parts of it.

7.2 Recommendations

With the main research question and its sub questions being answered, an attempt has been made at explaining the budget for EU Regional Policy and its allocation within the policy. Furthermore, an outlook on the upcoming debate on Regional Policy funding and its possible outcome has been given. The conclusions on these aspects do already have a practical value for citizens as they can gain an insight into the complex decision-making process in which Regional Policy is embedded. They can, however, also be of interest to policy-makers or lobbyists as they can adjust or refine their preferences, strategies and negotiation tactics accordingly. A next logical step in the analysis of Regional Policy funding is to determine, on the basis of the conclusions of this project, whether the allocation of funding can be called 'fair' or 'justified' in the light of the policy goals, and in what ways the allocation of funding can be improved.

To recall, the goal of Regional Policy is to "[...]promote the overall harmonious development[...]" of the EU and to "[...] reduce disparities between the levels of development of the various regions and the backwardness of the least favoured regions" (TFEU, Art.174). This implies that the least developed European regions should necessarily be major beneficiaries of Regional Policy funding. One of the issues that have been studied in the formal analysis of the policy outcome of the current funding period has been the extent to which the Regional Policy budget and its allocation reflect a commitment to these lagging regions. It has been shown that Regional Policy funding is largely concentrated on the least developed regions and member states, although many exceptions and exemptions from the rules on eligibility and funding levels exist that benefit 'richer' European regions or member states. It can therefore only be concluded that the allocation of Regional Policy funding does not seem to be entirely unfair. It has, however, also be noted that there are different interpretations of which regions are 'poor' enough to receive a great amount of funding, which level of concentration funding should take on, and what the criteria and calculations for eligibility and funding levels should be. As the latter ones are rather complex, it is not even possible – without performing complicated calculations and additional research - to verify whether a regions' amount of funding has been set according to the rules. Neither does it seem possible –maybe not even with additional research - to determine which regions should receive funding and which not. To some extent, the exact lines drawn need to be political decisions. Unfortunately, often also the utility-maximizing attitudes of the member state governments and their concerns about their net positions in the EU budget seem to distort the debate on the adequate allocation of funding.

With this in mind, there seems to be no clear-cut recommendation on how Regional Policy funding can be improved. It will always be difficult to agree and stick to 'objective' and 'all-encompassing' criteria that can determine the level of development or the 'backwardness' of a region, and to allocate the 'right' amount of funding on the basis of that. Overall, it is therefore likely that decisions on the allocation of Regional Policy funding will never be straightforward and will include complex calculations and possibly exemptions. Additionally, also the thematic aspects and the effectiveness of the policy – as shown by evaluations and experience – need to be taken into account when determining the budget and its allocation across Regional Policy. It is certainly a good thing that these elements are important parts of the current debate on the future of Regional Policy.

In order for Regional Policy funding to be budgeted and distributed in the most 'fair' and efficient way, the debate on Regional Policy needs to move away from one on net positions of the EU member states. The substance and goals of the policy need to be the point of departure for any discussion, and only on the basis of that decisions on financial issues should be taken. If Regional Policy is to remain a policy with the goal it of addressing disparities in the levels of regional development, its status within the EU Financial Framework needs to be changed. The policy should no longer serve as a means for 'correcting' the payment positions of EU member states. Ways need to be found to lower the incentives for the member states to approach Regional Policy as a means for maximizing their own utility and press for their view on the overall EU budget. The proposals of reforming the revenue side of the Financial Framework by equipping the EU with more 'own resources' and reducing national GNI-based contributions could be a key development that reduces the need for 'rational calculations' on Regional Policy funding, primarily for richer EU member states. It remains to be seen, however, which magnitude the proposed reforms will take on, and whether they will really have the desired effect in the middle- and long-term.

7.3 Reflection

As a final step of this research project on Regional Policy funding, its shortcomings and potential improvements should be highlighted. As no comparable research into this topic and with a similar theoretical foundation seems to have been conducted prior to the present project, and the scope and time for the research have been limited, it necessarily presents only a first 'exploratory' attempt at answering its central explanatory research question. Several issues need to be addressed in that regard.

First, the case selection of the project could be optimized. The four member states that have been chosen for the analysis on inputs into the negotiation process seem to have captured quite well a few different sets of preferences that were articulated and discussed in the Council. Yet, it makes sense to add more of them to analysis. Because of the low number of member states studied, there is a great chance that more sets of preferences on Regional Policy exist than those that have been looked at, probably also within the categories of member states that the cases were chosen from. There is therefore a danger that the results on all input indicators suffer from a lack of both validity and reliability. To improve this, preferably all, but at least more than one of each 'type' of state should be studied to get more valid and reliable results. It should also be investigated whether other types of member states can be distinguished - like 'old', 'new', 'small', 'large', 'level of GDP' - and under what conditions a random sample could be drawn. All this would then require extended data collection, i.e. more desk research and more expert interviews. To get a more accurate and valid result on member state preferences and the assessment of the negotiations, it would also be desirable to consult more than one expert for a particular country.

Furthermore, it might be useful to include the European Commission better into the formal analysis of inputs into the negotiation process. As the holder of the right of initiative, its proposals are likely to be an important input and could be included in the calculations of the scores of the different variables. Next to additional interviews with Commission officials, this might require a 'special' set of observations to be determined for several indicators, especially relating to 'rational calculations'. Overall, it could be considered to extend the analysis of Regional Policy funding to more than one case, i.e. more than one decision-making process studied in-depth. While this would significantly increase the effort in data collection, it would also increase the external validity of the research, and concepts like path dependence could be better studied.

Second, the shortcomings of using the input-output approach for studying negotiations in the (European) Council have already been mentioned in Chapter 3. The tracing of a complete causal chain is largely impossible when only relying on comparing inputs and outputs. Although it has been attempted to 'fill the gap' and collect information on the negotiation process, also the descriptive account is not complete. Important data is missing especially on the exact set-up and course of the negotiations in the lower levels of the Council. This could be improved by conducting more interviews with participants of the negotiation processes, from member states or the Commission.

Third – and related to the previous point - the theoretical framework including its variables, their operationalization and measurement could be adjusted and refined in order to better trace potential causal mechanisms. A better specification of indicators and observations would not only rely on making inferences of the influence of institutional factors on Regional Policy funding by comparing hypothesized and real preferences and policy outcomes. Instead, it should try to more directly address the reasons and motivations behind the choice of preferences and outcomes, and the role of institutional factors in this reasoning. This has been attempted in the expert interviews, but should be substantially extended and improved in order to enhance the internal validity of the research results. Furthermore, a revised theoretical framework and analysis should aim at clarifying the line and relationship between institutional and contextual factors. In this regard, it should also be investigated how to include those institutional factors into the analytical framework that 'popped up' in the analysis as rules and procedures relating to the Financial Framework (such as time constraints, the Presidency, trade-offs and issue linkages).

The reliability of the method for assigning scores to the congruence between theoretically expected and empirical observations is also a shortcoming of the research that has been conducted. As already stated in Chapter 3, it is hard to find a method for quantifying and weighing actor preferences and policy outcomes, so only crude and rather subjective considerations are informing the assignment of scored to the different observations. In a refined version of the research, more time and effort should be put into optimizing this important aspect of the measurement.

However, also apart from these more general shortcomings, attempts could be made at improving the operationalization of several variables even within the current way of measurement and of comparing preferences and outcomes. Specifically, the current operationalization of the concept of path dependence does not seem well-suited for making a valid inference on the explanatory strength of the variable ‘previous allocative decisions’. Next to problems with causality, the present indicators need improvement, as it is not entirely clear from the set of observations whether path dependence is present when the allocation of funding between member states remains the same, or when the rules governing eligibility and funding levels do not change. An improved set of indicators and observations could also compare member state preferences across different negotiations to not only rely on one aspect of the concept. Also the operationalization of the ‘logic appropriateness’ should be improved, especially in the definitions of its theoretically expected observations which have been rather ambiguous in the current research. Done in a careful way, these measures could enhance the internal validity and reliability of the research results.

Fourth, in a more detailed analysis of Regional Policy funding, it would make sense to not only look at the absolute and relative amounts of money being directed to the different funding categories and member states. More attention could be devoted to alternative measurements, such as the population covered by Regional Policy funding and under different categories, or the funding levels per capita of a country or funding category. This would give a better overview on the development of Regional Policy funding, and could change some aspects of the explanatory analysis.

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Annex

A. Statistics and Tables

Table 4.3

	1988-1992	1993-1999	2000-2006
Austria		0.95	0.86
Belgium	1.20	1.26	0.96
Denmark	0.6	0.51	0.3
Germany	9.0	13.03	14.04
Finland		0.99	0.98
France	9.7	8.96	7.39
Greece	12.8	10.64	11.74
Ireland	4.9	4.44	1.87
Italy	16.7	12.98	13.99
Luxembourg	0.1	0.06	0.04
Netherlands	1.1	1.57	1.55
Portugal	13.2	10.57	10.74
Spain	21.2	25.43	26.53
Sweden		0.83	1.03
United Kingdom	7.5	7.79	7.83

Table 4.3: Distribution of Regional Policy Funding among the EU-15 (in % of total funding) (source: compiled from Leonardi, 2005)

Table 5.4

		Com Proposal 14 July 2004	NB 1 8 March	NB 2 21 April	NB 3 19 May	NB 4 2 June	NB 5 15/16 June	NB 6 17 June	NB 7 5 Dec	NB 8 14 Dec	European Council Agreement 19 Dec	Council Regulation 11 July 2006
Total Budget Regional Policy	**in billion euro**	336.194					306.508	309.549	296.900	298.990	307.619	308.041
	in % of EU GNI				0.37-0.38%	0.37%	0.37%	0.376%				
Convergence	**Share of Total Budget (%)**	78,54%		81%	82%	82%	82.3%	82.3%	81.6%	81.6%	81.7%	81.54%
	Cohesion Fund	23.86%						24.78%	24.4%	20%	24.5%	23.22% (+ 1.29% phasing out)
	Convergence	67.34%										70.51
	Phase-Out	8.38%					4.84%	4.79%	4.1%	4.1%	5%	4.99%
	Outermost	0.41%										
Regional Competitiveness and Employment	**Share of Total Budget**	17.22%		15%	15%	15%	15.26%	15.28%	15.9%	15.9%	15.8%	15.95%
	RCE	83.44%										78.86%
	Phase-In	16.56%					20.3%	20.49%	20.1%	4.1%	21.3%	21.14%
European Territorial Cooperation	**Share of Total Budget**	3.94%		4%	3%	3%	2.45%	2.42%	2.5%	2.5%	2.4%	2.52%
	Cross-border	47.73%			70%	75%	77%	77%	77%	77%	77%	73.86%
	Transnational	47.73%			25%	21%	19%	19%	19%	19%	19%	20.95%
	Interregional	4.45%			5%	4%	4%	4%	4%	4%	4%	5.19%

Evolution of Funding Amounts and Shares in the proposals for Regional Policy 2007-2013 (Sources: Commission 2004c; Council 2005a-2005j; Council, 2006)

Table 5.5

		Com Proposal 14 July 2004	NB 1 8 March	NB 2 21 April	NB 3 19 May	NB 4 2 June	NB 5 15/16 June	NB 6 17 June	NB 7 5 Dec	NB 8 14 Dec	European Council Agreement 19 Dec	Council Regulation 11 July 2006
Allocation Method Convergence												
National coefficient (%)	MS with >82% of average EU GNI		5 %	3.5%-4.5%	4.0%-4.25%	4.2%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%
	MS with 82-99% of average EU GNI		4%	2.8%-3.6%	3.2%-3.4%	3.36%	3.36%	3.36%	3.36%	3.36%	3.36%	3.36%
	MS with <99% of average EU GNI		3%	2.1%-2.7%	2.4%-2.55%	2.52%	2.62%	2.67%	2.67%	2.67%	2.67%	2.67%
Addition per unemployed person that exceeds Convergence region average (€)			100	100-200	300-700	700	700	700	700	700	700	700
Allocation Method Cohesion Fund												
Average per capita aid intensity (€)				31.1-40.2	35.8-38	37.5	42	44.7	44.7	44.7	44.7	44.7
Allocation Method Regional Competitiveness and Employment												
Weighing of indicators	Total population		0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
	Unemployment above average		0.15	0.15	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
	Number of jobs needed		0.1	0.1	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
	Low-educated employees		0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
	Population density		0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Allocation Method Transitional Arrangements												
Phase-	Starting level			80%								

		Com Proposal 14 July 2004	NB 1 8 March	NB 2 21 April	NB 3 19 May	NB 4 2 June	NB 5 15/16 June	NB 6 17 June	NB 7 5 Dec	NB 8 14 Dec	European Council Agreement 19 Dec	Council Regulation 11 July 2006
Out (% of 2006 aid)	Time period; final level			6 years; average funding of Regional Competitiveness and Employment								
	Addition (€)						600 per unemployed					
	Special case [4]			80%-60% over 7 years	80%-50% over 7 years							
Phase-In (% of 2006 aid	Starting level			75%								
	Time period; final level			4 years; average funding of Regional Competitiveness and Employment								
	Addition (€)						600 per unemployed					
Phase-Out Cohesion Fund				Degressive over 2 years			2 billion in 2 years	2.75 billion in 4 years		3.25 billion in 7 years		
Ceiling on Convergence Transfers (% of MS GDP)												
GNI p.c. 2001-2003 <40% of EU25 average		4							3.663%	3.663%	3.7893%	
GNI p.c. 2001-2003 40-50% of EU25 average				3.9%, 3.8 %	3.9%	3.9%	3.9%	3.92%	3.590%	3.590%	3.7135%	3.7135%
GNI p.c. 2001-2003 50-55% of EU25 average				3.7%	3.8%	3.8%	3.8%	3.82%	3.498%	3.498%	3.6188%	3.6188%
Reduction level thereafter (for each 5 percentage points)				0.1	0.1	0.1	0.1	0.1	~0.09	~0.09	~0.09	~0.09

Evolution of the negotiations on Regional Policy in the Financial Framework 2007-2013 (source: Commission 2004c; Council 2005a-2005j; Council, 2006)

[4] Special Case: if the phase-out regions of a MS present at least 1/3 of population eligible for Objective 1 in 2006

Table 5.7

	Convergence Objective			Regional Competitiveness and Employment Objective		European Territorial Cooperation Objective	Total	
	Cohesion Fund	Convergence	Statistical Phasing Out	Phasing In	Regional Competitiveness and Employment			
Austria			159		914	228	1301	0.42%
Belgium			579		1268	173	2019	0.66%
Bulgaria	2015	3873				159	6047	1.96%
Cyprus	194			363		25	581	0.19%
Czech Republic	7830	15149			373	346	23697	7.69%
Denmark					453	92	545	0.18%
Estonia	1019	1992				47	3058	0.99%
Finland				491	935	107	1532	0.50%
France		2832			9123	775	12736	4.13%
Germany		10553	3771		8370	756	23450	7.61%
Greece	3289	8379	5779	584		186	18217	5.91%
Hungary	7589	12654		1865		344	22452	7.29%
Ireland				420	261	134	815	0.26%
Italy		18867	388	879	4761	752	25647	8.33%
Latvia	1363	2647				80	4090	1.33%
Lithuania	2034	3965				97	6097	1.98%
Luxembourg					45	13	58	0.02%
Malta	252	495				14	761	0.25%
Netherlands					1477	220	1696	0.55%
Poland	19562	39486				650	59698	19.38%
Portugal	2722	15240	254	407	436	88	19147	6.22%
Romania	5769	11143				404	17317	5.62%
Slovenia	1239	2407				93	3739	1.21%
Slovakia	3433	6231			399	202	10264	3.33%
Spain	3250	18727	1434	4495	3133	497	31536	10.24%
Sweden					1446	236	1682	0.55%
United Kingdom		2436	158	883	5349	642	9468	3.07%
Not allocated						392	392	0.13%
Total	61558 19.98%	177083 57.47%	12521 4.06%	10385 3.37%	38742 12.58%	7750	308041	100.00%
	81.54%			15.95%		2.52%		
EU15	9261	77061	12522	8159	37971	4899	149852	48.65%
EU12	52299	100042	0	2228	772	2461	157801	51.23%

The Allocation of Regional Policy funding across categories and countries 2007-2013 (Source: Inforegio (2006) and own calculations (in million euro; rounded figures; may not add up exactly))

Table 5.11

	2000-2006						2007-2013		
Million € (2004 prices)	Total amount	Total Share (%)	Average per year (2000-2003)	Share Per year (2000-2003) (%)	Average per year (2004-2006)	Share per year (2004-2006) (%)	Total amount	Average per year	Share (%)
Total Budget	258656		33457.86		41608.19		308041	44005.86	
Austria	2006.34	0.78	286.62	0.86	286.62	0.69	1301	185.86	0.42
Belgium	2239.63	0.87	319.95	0.96	319.95	0.77	2019	288.43	0.66
Bulgaria							6047	863.86	1.96
Cyprus	113.44	0.04			37.81	0.09	581	83.00	0.19
Czech Republic	2621.19	1.01			873.73	2.10	23697	3385.29	7.69
Denmark	699.89	0.27	99.98	0.30	99.98	0.24	545	77.86	0.18
Estonia	695.06	0.27			231.69	0.56	3058	436.86	0.99
Finland	2286.29	0.88	326.61	0.98	326.61	0.78	1532	218.86	0.50
France	18500.31	7.15	2642.90	7.90	2642.90	6.35	12736	1819.43	4.13
Germany	32754.64	12.66	4679.23	13.99	4679.23	11.25	23450	3350.00	7.61
Greece	27388.85	10.59	3912.69	11.69	3912.69	9.40	18217	2602.43	5.91
Hungary	3207.36	1.24			1069.12	2.57	22452	3207.43	7.29
Ireland	4362.62	1.69	623.23	1.86	623.23	1.50	815	116.43	0.26
Italy	32637.99	12.62	4662.57	13.94	4662.57	11.21	25647	3663.86	8.33
Latvia	1164.29	0.45			388.10	0.93	4090	584.29	1.33
Lithuania	1537.70	0.59			512.57	1.23	6097	871.00	1.98
Luxembourg	93.32	0.04	13.33	0.04	13.33	0.03	58	8.29	0.02
Malta		0.03			29.58	0.07	761	108.71	0.25
Netherlands	3616.07	1.40	516.58	1.54	516.58	1.24	1696	242.29	0.55
Poland	12809.70	4.95			4269.90	10.26	59698	8528.29	19.38
Portugal	25055.90	9.69	3579.41	10.70	3579.41	8.60	19147	2735.29	6.22
Romania							17317	2473.86	5.62
Slovenia	456.31	0.18			152.10	0.37	3739	534.14	1.21
Slovakia	1757.39	0.68			585.80	1.41	10264	1466.29	3.33
Spain	61893.20	23.93	8841.89	26.43	8841.89	21.25	31536	4505.14	10.24
Sweden	2402.94	0.93	343.28	1.03	343.28	0.83	1682	240.29	0.55
United Kingdom	18267.01	7.06	2609.57	7.80	2609.57	6.27	9468	1352.57	3.07
Not allocated							392	56.00	0.13
EU15	234250.16	90.55	33457.86	100	33457.86	80.41	149852	21407	48.65
EU10	24451.2	9.45	0	0	8150.33	19.59	134436	19205	43.65
EU12							157801	22543	51.23

Regional Policy Funding 2000-2006 and 2007-2013 (Sources: Leonardi, 2005; Inforegio, 2006; European Parliament and Council, 2003; and own calculations)

Table 5.13

	Change in Total Amount (2000-2006 and 2007-2013)	Change in Total Share (2000-2006 and 2007-2013)	Change in Share EU-15 (2000-2003 and 2007-2013	Change in Average Amount (2004-2006 and 2007-2013)	Change in Share (2004-2006 and 2007-2013)
Austria	-35.16%	-45.55%	-50.70%	-35.16%	-38.69%
Belgium	-9.85%	-24.30%	-31.46%	-9.85%	-14.76%
Bulgaria					
Cyprus	412.17%	330.05%		119.50%	107.54%
Czech Republic	804.06%	659.12%		287.45%	266.34%
Denmark	-22.13%	-34.61%	-40.80%	-22.13%	-26.37%
Estonia	339.96%	269.43%		88.56%	78.28%
Finland	-32.99%	-43.73%	-49.05%	-32.99%	-36.64%
France	-31.16%	-42.19%	-47.66%	-31.16%	-34.91%
Germany	-28.41%	-39.88%	-45.57%	-28.41%	-32.31%
Greece	-33.49%	-44.15%	-49.43%	-33.49%	-37.11%
Hungary	600.01%	487.79%		200.01%	183.66%
Ireland	-81.32%	-84.31%	-85.80%	-81.32%	-82.34%
Italy	-21.42%	-34.02%	-40.26%	-21.42%	-25.70%
Latvia	251.29%	194.97%		50.55%	42.35%
Lithuania	296.50%	232.93%		69.93%	60.67%
Luxembourg	-37.85%	-47.81%	-52.74%	-37.85%	-41.23%
Malta	757.56%	620.08%		267.53%	247.50%
Netherlands	-53.10%	-60.62%	-64.34%	-53.10%	-55.65%
Poland	366.04%	291.32%		99.73%	88.85%
Portugal	-23.58%	-35.83%	-41.90%	-23.58%	-27.75%
Romania					
Slovenia	719.40%	588.03%		251.17%	232.04%
Slovakia	484.05%	390.41%		150.31%	136.67%
Spain	-49.05%	-57.22%	-61.26%	-49.05%	-51.82%
Sweden	-30.00%	-41.22%	-46.78%	-30.00%	-33.82%
United Kingdom	-48.17%	-56.48%	-60.59%	-48.17%	-50.99%
EU15	-36.02%	-46.27%	-51.35%	-36.02%	-39.50%
EU10	449.81%	361.9%		135.63%	122.82%
EU 12	545.37%	441.93%		176.59%	161.53%
Total	19.09%			5.76%	

Changes in Regional Policy Funding 2000-2006 and 2007-2013 (Sources: own calculations from Table 5.11)

Table 6.2

Commitment Appropriations	2013	2014	2015	2016	2017	2018	2019	2020	Total
1. Smart and Inclusive Growth	**66.354**	**64.696**	**66.580**	**68.133**	**69.956**	**71.596**	**73.768**	**76.179**	**490.908**
Galileo	0.002	1.100	1.100	0.900	0.900	0.700	0.900	1.400	7.000
Nuclear Safety & Decommissioning	0.279	0.134	0.134	0.134	0.134	0.055	0.055	0.055	0.700
CSF Research & Innovation/SME	9.768	10.079	10.529	10.979	11.429	11.879	12.329	12.776	80.000
New Competitiveness	0.177	0.235	0.270	0.305	0.340	0.375	0.410	0.445	2.380
Education, Training, Youth & Sport	1.305	1.423	1.673	1.923	2.173	2.423	2.673	2.923	15.210
Social Development Agenda	0.119	0.121	0.121	0.121	0.121	0.121	0.121	0.124	0.850
Customs-Fiscalis-Anti Fraud	0.107	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.840
Agencies	0.258	0.237	0.291	0.290	0.291	0.265	0.326	0.331	2.030
Other	0.308	0.267	0.267	0.267	0.267	0.267	0.267	0.267	1.868
Margin	0.049	0.513	0.533	0.553	0.573	0.593	0.613	0.633	4.009
Connecting Europe Facility	1.577	3.914	4.514	5.114	5.714	6.314	6.914	7.516	40.000
Energy	0.022	0.973	1.233	1.033	1.173	1.303	1.503	1.903	9.121
Transport	1.552	2.299	2.499	2.899	3.099	3.499	3.699	3.700	21.694
ICT	0.003	0.642	0.782	1.182	1.442	1.512	1.712	1.913	9.185
Cohesion Policy	52.406	46.544	47.029	47.428	47.895	48.484	49.041	49.589	336.020
Regional Convergence	30.692	22.032	22.459	22.836	23.227	23.631	24.012	24.393	162.590
Transition Regions	1.963	5.549	5.555	5.560	5.565	5.570	5.574	5.579	38.952
Competitiveness	6.314	7.592	7.592	7.592	7.592	7.592	7.592	7.952	53.143
Territorial Cooperation	1.304	1.671	1.671	1.671	1.671	1.671	1.671	1.671	11.700
Cohesion Fund	11.885	9.577	9.620	9.636	9.708	9.888	10.059	10.222	68.710
Outermost and sparsely populated regions	0.249	0.132	0.132	0.132	0.132	0.132	0.132	0.132	0.926
2. Sustainable Growth: Natural Resources	**59.031**	**57.368**	**56.527**	**55.702**	**54.861**	**53.837**	**52.829**	**51.784**	**382.927**
CAP (direct payments & market expenditure)	43.515	42.244	41.623	41.029	40.420	39.618	38.831	38.060	281.825
Rural Development	13.890	13.618	13.351	13.089	12.832	12.581	12.334	12.092	89.895
EMFF (incl. market measures) + FPAs + RMFOs	0.984	0.945	0.950	0.955	0.955	0.960	0.960	0.960	6.685
Environment and Climate Action	0.362	0.390	0.415	0.440	0.465	0.490	0.515	0.485	3.200
Agencies	0.049	0.049	0.049	0.049	0.049	0.049	0.049	0.049	0.344
Margin	0.230	0.140	0.140	0.140	0.140	0.140	0.140	0.139	0.979
3. Security and Citizenship	**2.209**	**2.532**	**2.571**	**2.609**	**2.648**	**2.687**	**2.726**	**2.763**	**18.535**
Migration Management Fund	0.487	0.490	0.490	0.490	0.490	0.490	0.490	0.493	3.433
Internal Security	0.604	0.528	0.548	0.568	0.588	0.608	0.628	0.648	4.113
IT systems	0.132	0.104	0.104	0.104	0.104	0.104	0.104	0.105	0.729
Justice	0.044	0.044	0.050	0.055	0.60	0.065	0.070	0.072	0.416
Rights and Citizenship	0.035	0.041	0.045	0.050	0.055	0.060	0.065	0.071	0.387

Civil Protection	0.020	0.035	0.035	0.035	0.035	0.035	0.035	0.035	0.245
Europe for Citizens	0.029	0.029	0.029	0.029	0.029	0.029	0.029	0.029	0.203
Food Safety		0.330	0.323	0.317	0.311	0.305	0.299	0.293	2.177
Public Health	0.054	0.057	0.057	0.057	0.057	0.057	0.057	0.054	0.396
Consumer Protection	0.024	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.175
Creative Europe Programme	0.181	0.182	0.197	0.212	0.227	0.242	0.257	0.273	1590
Agencies	0.387	0.431	0.431	0.431	0.431	0.431	0.431	0.431	3020
Other	0.155	0.106	0.106	0.106	0.106	0.106	0.106	0.106	0.743
Margin	0.057	0.130	0.130	0.130	0.130	0.130	0.130	0.129	0.909
4. Global Europe	**9.222**	**9.400**	**9.645**	**9.845**	**9.960**	**10.150**	**10.380**	**10.620**	**70.000**
Instrument for Pre-Accession (IPA)	1.888	1.789	1.789	1.789	1.789	1.789	1.789	1.789	12.520
European Neighbourhood Instrument (ENI)	2.268	2.100	2.213	2.226	2.265	2.340	2.439	2.514	16.097
EIDHR	0.169	0.200	0.200	0.200	0.200	0.200	0.200	0.200	1.400
Stability (IfS)	0.357	0.359	0.359	0.359	0.359	0.359	0.359	0.359	2.510
Security (CFSP)	0.352	0.359	0.359	0.359	0.359	0.359	0.359	0.359	2.510
Partnership Instrument (PI)	0.070	0.126	0.130	0.135	0.141	0.148	0.156	0.164	1.000
Development Cooperation Instrument (DCI)	2.553	2.560	2.862	2.808	2.938	3.069	3.202	3.338	20.597
Humanitarian Aid	0.841	0.930	0.925	0.920	0.915	0.910	0.905	0.090	6.405
Civil Protection (CPFI) + ERC	0.005	0.030	0.030	0.030	0.030	0.030	0.030	0.030	0.210
EVHAC	0	0.020	0.022	0.025	0.025	0.033	0.038	0.043	0.210
Instrument for Nuclear Safety Cooperation (INSC)	0.076	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.560
Macro-financial assistance	0.132	0.085	0.085	0.085	0.085	0.084	0.084	0.085	0.593
Guarantee Fund for External Actions	0.250	0.236	0.231	0.226	0.195	0.157	0.128	0.084	1.257
Agencies	0.020	0.020	0.020	0.020	0.020	0.020	0.020	0.020	0.137
Other	0.141	0.137	0.134	0.189	0.134	0.134	0.134	0.134	0.995
Margin	0.101	0.374	0.388	0.396	0.422	0.439	0.458	0.523	3.000
5. Administration	**8.833**	**8.542**	**8.679**	**8.796**	**8.943**	**9.073**	**9.225**	**9.371**	**62.629**
Pension Expenditures and European Schools	1.522	1.575	1.640	1.687	1.752	1.785	1.839	1.886	12.165
Administrative Expenditure of the Institutions	6.802	6.812	6.869	6.924	6.991	7.074	7.156	7.239	49.064
Margin	0.510	0.155	0.170	0.185	0.200	0.215	0.230	0.247	1.400
Total Commitment Appropriations	**145.650**	**142.556**	**144.002**	**145.085**	**146.368**	**147.344**	**148.928**	**150.718**	**1025.000**
as a percentage of GNI	1.12%	1.08%	1.07%	1.06%	1.06%	1.05%	1.04%	1.03%	1.05%

Commission Proposal of the Multiannual Financial Framework 2014-2020 (in billion euro of commitments, 2011 prices) (Source: Commission, 2011c)

Table 6.3

	2007-2013		Proposal 2014-2020		Change	
	amount	%	amount	%	amount	%
Convergence Regions	200.234	57.47%	162.590	48.39%	-37.644	-18.8%
Transition Regions	25.887	7.43%*	38.952	11.95%	13.065	50.47%
Competitiveness Regions	43.831	12.58%	53.143	15.82%	9.312	21.25%
Territorial Cooperation	7.839	2.52%	11.700	3.48%	3.861	48.92%
Cohesion Fund	69.613	19.98%	68.710	20.45%	-0.903	-1.29%
Outermost and sparsely populated Regions		**	0.926	0.28%	-	-
Total Regional Policy	348.415	100%	336.020	100%	-12.395	-3.56%

Regional Policy funding 2007-2013, compared with the Commission proposal for 2014-2020 (in billion euro) (Sources: Table 5.8; Table 6.1; Commission, 2011d)

* *phasing-out + phasing-in*

** *no data available*

B. Treaty Article on the Financial Framework

Article 312, TFEU

1. The multiannual financial framework shall ensure that Union expenditure develops in an orderly manner and within the limits of its own resources.

It shall be established for a period of at least five years.

The annual budget of the Union shall comply with the multiannual financial framework.

2. The Council, acting in accordance with a special legislative procedure, shall adopt a regulation laying down the multiannual financial framework. The Council shall act unanimously after obtaining the consent of the European Parliament, which shall be given by a majority of its component members.

The European Council may, unanimously, adopt a decision authorising the Council to act by a qualified majority when adopting the regulation referred to in the first subparagraph.

3. The financial framework shall determine the amounts of the annual ceilings on commitment appropriations by category of expenditure and of the annual ceiling on payment appropriations. The categories of expenditure, limited in number, shall correspond to the Union's major sectors of activity.

The financial framework shall lay down any other provisions required for the annual budgetary procedure to run smoothly.

4. Where no Council regulation determining a new financial framework has been adopted by the end of the previous financial framework, the ceilings and other provisions corresponding to the last year of that framework shall be extended until such time as that act is adopted.

5. Throughout the procedure leading to the adoption of the financial framework, the European Parliament, the Council and the Commission shall take any measure necessary to facilitate its adoption.

C. Interviews

Interview 1

F:
Woran können Sie sich bei der Position Deutschlands in den Verhandlungen im Bereich der Regionalpolitik in 2004/2005 noch erinnern?

A:
Ich erinnere mich, dass Deutschland zu Beginn der Verhandlungen gegen eine Förderung der grenzüberschreitende Zusammenarbeit an den alten EU-Grenzen waren. Und dagegen waren wir Länder natürlich, also nicht alle waren betroffen… NRW, Niedersachsen, Rheinland-Pfalz…

Aber anfangs wurden die Verhandlungen seitens Deutschlands ziemlich stark unter dem Gesichtspunkt der Finanzen geführt. Das ist ein Unterschied zu den jetzt angelaufenen Gesprächen über den 5. Kohäsionsbericht und die Überlegungen über die Zukunft der Kohäsionspolitik. Die sind bisher noch sehr stark im Wesentlichen vom Inhalt geprägt.
Die laufenden Gespräche sind auch geprägt von einer sehr engen Zusammenarbeit der Bundesländer und dem federführenden Bundeswirtschaftsministeriums. Das hat sich darin geäußert, dass wir sogar eine gemeinsame Stellungnahme zum 5. Kohäsionsbericht zustande gebracht haben. Was mit Blick auf die finanziellen Aspekte – wenn die jetzt schon eine Rolle gespielt hätten – so gut wie unmöglich gewesen wäre. Der Finanzminister hat ganz klar andere Interessen als z.B. NRW.

Aber damals waren die Gespräche sehr stark geprägt von finanziellen Überlegungen. Die grenzüberschreitende Zusammenarbeit, aber es gab auch sehr intensive Überlegungen insgesamt - wie kürzlich auch – die Förderung für wirtschaftlich stärkere Gebiete einzustellen. Damals gab es auch in NRW einen Europaminister, der diese Diskussion angefangen hat, aber dann haben wir in NRW beschlossen dass wir doch besser fahren wenn wir europäische Mittel haben als gar nichts mehr bekämen, weil so viel würden wir ja nicht einsparen. Diese Diskussion auf Landesebene wurde also ziemlich schnell beendet.

Aber Sie können sich vorstellen, auf Bundesebene ist das natürlich ein Thema. Was gibt man in den europäischen Haushalt - und als Nettozahler sind wir natürlich wie die Niederländer mit dabei - , und was kriegt man wieder zurück? Wir haben dann auch festgestellt, und da gibt es wiederum ganz kluge Berechnungen, dass es sich für die Bundesrepublik rechnet wenn wir auch für die Ziel-2-Regionen Mittel aus dem europäischen Haushalt erhalten.

F:
Es gab da also wirklich konkrete Berechnungen?

A:
Ja, die gibt es. Sie sind mir allerdings im Einzelnen nicht bekannt. Ich wüsste jetzt auch nicht wo ich da nachschauen müsste…

F:
Also dann hat sich die Position Deutschlands in dem Punkt geändert, oder kam das mehr durch die Verhandlungen selbst?

A:
Nein, das kam glaube ich mehr durch die Einsicht, und natürlich auch im Föderalismus durch den Druck der deutschen Länder. Wir hatten allerdings auch mit dem Regierungswechsel in NRW im Mai 2005, danach trat ja Schröder zurück und es gab Neuwahlen, die Merkel wurde Kanzlerin und danach gab es Koalitionsverhandlungen, und an diesen Verhandlungen hat natürlich dann auch die neue Regierung aus NRW teilgenommen. Und wie ich hörte – das müsste auch in der Koalitionsvereinbarung zu finden sein – hat damals das Land – und wahrscheinlich auch andere CDU-geführte Länder – darauf gedrängt, dass sich die Position der Bundesregierung in den Verhandlungen in Brüssel zu den Strukturfonds ändert und flexibler gestaltet. Ich hab das natürlich hier nur so mitgekriegt… Aber Tatsache ist, dass sich unsere Position – für NRW – was die Strukturfonds angeht verbessert hat.

F:
Gab es da noch spezielle Vorstellungen oder Forderungen zu die Kriterien und Regeln für die Fördersummen?

A:
Uns waren zwei Dinge wichtig. Bei dem Gipfel damals gab es danach noch einige Unklarheiten, die noch beseitigt werden mussten. Eines betraf die Kofinanzierung, also das beim nationalen Anteil auch private Mittel verwendet werden können, wobei der Einsatz privater Mittel bei solchen Projekten eigentlich immer überschätzt wird.. dennoch war das damals eine wichtige Forderung.
Das andere war dass der Anteil der Umsatzsteuer mit als nationaler Anteil eingerechnet werden konnte, damit der EU-Anteil entsprechen groß bleibt. Dem wurde dann auch stattgegeben. Das war sozusagen das ‚Aufräumen' nach dem Gipfel.

F:
Was waren denn die schwierigsten Aspekte der gesamten Verhandlungen auf EU-Ebene?

A:
Wie immer, das Geld natürlich. Schließlich ging es dann um die Verteilung der Mittel unter den Zielen. Also Ziel-1, der größte Teil mit Blick auf die neuen MS, Ziel-2… aber ich erinnere mich nicht mehr genau wie das da lief, da sind wir nicht mehr beteiligt. Wir haben Interesse an einem möglichst großen Anteil, aber sind nicht mehr direkt beteiligt. Wir waren aber als NRW dann recht zufrieden mit dem Anteil den wir damals erhalten haben, sodass wir keinen Grund zur Klage hatten

F:
Es war also nicht unbedingt abzusehen, dass es so viel sein würde?

A:
Nein, überhaupt nicht. Für NRW nicht. Auch der innerstaatliche Verteilungsschlüssel hat uns bevorzugt wegen der hohen Bevölkerungs- und Arbeitslosenzahl.

F:
Können Sie sich vorstellen dass äußere Faktoren die Verhandlungen beeinflusst haben? Zum Beispiel die Debatte um den Verfassungsvertrag oder die Referenden?

A:
Ja doch, ich glaub schon. Aber das war kein zentrales Thema. Aber es galt nach den Referenden, dass man die Bürger gewinnt für die europäische Idee und die Verfassung. Und vor diesem Hintergrund kann ich mir schon vorstellen dass gerade die Regionalpolitik da gut ist, wenn man Projekte hat, die sichtbar für die Bürger sind.. Aber es war nach meiner Erinnerung kein großes Thema bei den Verhandlungen selbst. Es mag vielleicht in anderen MS anders gewesen sein, das kann schon sein, oder vielleicht auf höchster politischer Ebene.

Aber dieses Argument spielte jetzt eine Rolle. Sie erinnern sich vielleicht dass es erste Überlegungen gab und so ein Non-Paper aus der Generaldirektion Haushalt, dessen Inhalt der Kommissionspräsident auch nicht ganz abgeneigt gewesen sein soll. Da ging es um eine Konzentration der Förderung auf schwächere Regionen, und da spielte dann das Argument eine Rolle dass Europa dann ja nicht sichtbar wäre für die Bürger. Durch diese Projekte kann man zeigen, dass Europa was tut, europäische Solidarität und so etwas, das spielte da eine stärkere Rolle als damals.

F:
Solidarität wird jetzt also durchaus so verstanden, dass alle von der Förderung profitieren?

A:
Ja, genau, dass alle Europa sehen und wahrnehmen sollen.. und eben positiv. Ob das so ist, ist allerdings fraglich. Aber dennoch spielt das eine Rolle.

F:
Ich versuche, die Verteilung der Gelder zwischen den einzelnen Zielen und Mitgliedstaaten zu erklären. Ich habe drei mögliche Erklärungsansätze…
Würden Sie sagen, dass das Ergebnis der Verhandlungen von 2005 sehr auf der Gestaltung der vorherigen Politik beruht?

A:
Nicht ganz. Es war schon ein gewisser Wechsel. Und zwar, dass es 2000-2006 so eine Gebietsabgrenzung gab. Da konnte man dann Projekte nur in sehr engen Gebieten fördern. Das war zum Teil sehr absurd. Und die Aufhebung dieser Abgrenzung wurde allgemein begrüßt. Da wurden dann auch bessere Kooperationen möglich. Das war für uns das Entscheidende.

F:
Und würden Sie dann sagen – Sie hatten das vorhin für Deutschland schon einmal angedeutet – dass das Ergebnis auf Kosten-Nutzen-Rechnungen aller Beteiligten basiert?

A:
Ja, das ist generell so. Europäischer Rat, das ist nicht unbedingt die Charitas.

F:
Oder würden Sie sagen, dass das Ergebnis mehr auf Werten beruht, wie Solidarität, oder einer Art Verpflichtung den bedürftigsten Regionen gegenüber?

A:
Ja, natürlich auch. Ich glaub beides. Die europäische Solidarität darf man nicht unterschätzen. Klar, in solchen Verhandlungen geht es immer um Euro und Cent, aber letztlich glaube ich schon, dass der europäische Gedanke und dass man zusammen gehört auch ihren Ausdruck findet in der Politik, die ja Geld kostet, durchaus eine Rolle spielt. Ich glaube allerdings, früher war das vielleicht noch stärker. Dem Kohl wurde immer vorgehalten dass er zu schnell nachgegeben hat, gerade auch im Agrar-Bereich, weil er eben überzeugter Europäer war und natürlich auch mit Blick auf die deutsche Geschichte. Den europäischen Gedanken fördern kostet halt Geld. Über Kohl wurde immer gesagt dass er sich Solidarität erkauft hat. Die Verhandlungen jetzt sind da schon anders. Auch das was da demnächst auf uns zukommt, wird ein heftiges Feilschen sein, es hat ja im Moment keiner was zu verschenken.

F:
Was erwarten Sie denn konkret von den kommenden Verhandlungen?

A:
Ich erwarte keinesfalls ein größeres Budget als das was wir jetzt haben. Wenn wir Glück haben kommt zu den absoluten Zahlen auch noch ein Inflationsausgleich dazu. Aber nicht mehr. Es wird schon erwartet, der Kommissar Hahn hat das sogar angedeutet, dass er einen Haushalt vorlegen will – oder sein Vorschlag sein wird – für nach 2013 ein Budget dass dem jetzigen in absoluten Zahlen entspricht. Das ist ja schon ein Signal. Mit ein Grund ist auch, dass in den neuen Mitgliedstaaten die Absorption nicht so erfolgt wie man das gerne hätte, dass also vor allem größere Projekte nicht in dem gewollten Umfang gefördert werden. Aber das wird keiner aus der Kommission so deutlich sagen, das hört man nur indirekt. Und es geht der Kommission auch darum die Qualität zu verbessern. Es geht darum, dass etwas Vernünftiges gefördert wird. Man geht davon aus, dass man mit den jetzigen Mitteln konzentrierter auf die Ziele auch besser fördern kann. Dafür seien nicht unbedingt mehr Mittel erforderlich. Wir als D als Nettozahler haben dann auch ein großes Interesse daran dass die Mittel vernünftig ausgegeben werden. Wir können dann nicht sagen dass gezielter und kontrollierter in Bulgarien und Rumänien vorgegangen werden muss, und dass wir keine Kontrollen, Prioritäten und Konditionalitäten wollen. Ich bin eigentlich ganz zuversichtlich, dass da am Ende etwas Vernünftiges bei herauskommt.

F:
Und was die Verteilung an sich angeht? Die Kommission hatte ja schon angedeutet, dass so eine ‚Mittelkategorie' geschaffen werden soll…

A:
Diese Zwischenkategorie für Regionen die dann zwischen 75 und 90% des BIP liegen…,
Also, die ostdeutschen Regionen sind inzwischen über 75%, also kommen aus der Konvergenz-Kategorie heraus; und früher gab es dann ja so ein Phasing-Out und die wurden mit einem höheren Satz weitergefördert und der war degressiv. Jetzt sollen eben in diese Kategorie nicht nur solche Regionen fallen, die aus der Konvergenz rausfallen, sondern auch solche die da immer schon drin

waren, wie z.B. Nord-Pas de Calais. Und da sagen wir halt: wo soll das Geld herkommen? Die sollen höher gefördert werden als das Ziel-2, und da ist dann naheliegend, dass das beim Ziel-2 ‚abgeknipst' wird; den armen, den Osteuropäern kann man da nichts wegnehmen. Da haben wir unsere Befürchtungen, deswegen sind wir dagegen.
Im Parlament, im Regionalausschuss gibt es da eher Unterstützung, im Rat sind da eher Vorbehalte. Wir sind dagegen, weil wir denken: wenn jetzt so eine Kategorie geschaffen wird für immer und ewig…
Aber wahrscheinlich wird sowas kommen, und wenn die Mittel denen dann helfen ‚aufzusteigen, ok, aber wenn nicht… wir sind einfach gegen so eine Zersplitterung.
Und die Kommission argumentiert halt: wir haben da Regionen mit dem Durchschnitts-BIP um die 75% und welche mit über 200%, wie London und Brüssel, und von daher wollen die so eine Unterscheidung treffen.

F:
Glauben Sie dass es noch Faktoren gibt die das Ganze beeinflussen, z.B. die Finanzkrise, deren Auswirkungen, die Sache mit Griechenland, Portugal..?

A:
Also zunächst mal wird sich das bemerkbar machen an den Beiträgen zum EU-Haushalt. Die Bereitschaft zu zahlen unter den Nettozahlern ist ja auch nicht so hoch, gerade auch in den Niederlanden, die haben da noch weniger Bereitschaft zu zahlen als Deutschland…
Allerdings sieht man natürlich auch die Notwendigkeit in den Regionen die von der Regionalpolitik profitieren würden, dass Verbesserungen der Infrastruktur und der Wettbewerbsfähigkeit erforderlich sind.
Was auch noch diskutiert werden wird ist die Konfinanzierungsrate. Wahrscheinlich wird die für Ziel-2 sinken, von 50% auf 40%. Bei der Konvergenz auch, Sie können sich vorstellen wenn in den nationalen Haushalten nichts drin ist, wie kann man da noch kofinanzieren?

F:
Verstehe ich das richtig, dass bei der Allgemeinen Verordnung über die Strukturfonds dann auch das Parlament voll mitentscheidet? Wie wird sich das auswirken?

A:
Ja, das stimmt. Sie waren doch hier, Sie haben doch mitgekriegt wie oft das thematisiert wird, auch in den Ausschüssen. Das Ganze Entscheidungsverfahren wird nicht einfacher und schneller werden.

F:
Beim letzten Mal war man ja auch schon besorgt ob alles rechtzeitig fertig wird..

A:
Ja, absolut. Der Druck wird aber da sein, das rechtzeitig fertig zu bekommen. Die Verordnungen müssen ja am 1.1.2014 in Kraft treten. Es wird dann so sein: der Rat macht was, das Parlament macht was, und am Ende gibt es einen so-genannten Trilog. Das heißt, jede Ratspräsidentschaft wird versuchen, schon im Vorfeld eng mit dem Parlament zusammen zu arbeiten um zu verhindern dass man dann in letzter Sekunde mit gegensätzlichen Positionen aufeinander zurast. Am Ende wird man sich dann zum Trilog zusammensetzen und einen Kompromiss aushandeln. Also, einfacher wird's

nicht, weil wir sehen ja, dass gerade im Parlament sehr viele regionale Interessen vertreten werden; und gerade was das Budget angeht, ist das Parlament meistens großzügiger als der Rat. Und im Rat sind dann die nationalen Interessen vertreten, und die Nettozahler wollen nichts zahlen, und die Nettoempfänger möglichst viel erhalten. Wir finden hier eine europäische Heterogenität, die auch einfach in der Natur der Sache liegt. Irgendwie wird man sich einigen. Das ist ja auch das Gute an Europa, dass man die komplexen Dinge dann letztenendes auch klärt. Für Außenstehende ist das aber immer schwierig nachzuvollziehen.

Interview 2

Q:
In my Master thesis I'm trying to explain the allocation of funding for the cohesion policy. I try to look at the negotiations on the current financial perspective and the outcome. So I am analyzing the outcome but also the positions of different member states, and I would also like to have a look at Poland. So far I have found one position paper of Poland on cohesion policy, apart from that only secondary sources, so I'd like to know a bit more.

A:
For the previous negotiations, so the negotiations regarding 2004, 2005, 2006.
I don't know in terms of position papers, it was mostly we want as much money as possible. From this point of view it was relatively easy. The cohesion allocated money is allocated under the Berlin methodology, which is roughly based on the GDP and the unemployment figures. It was developed before we joined the European Union, generally since it is the status quo, everybody assumed it was coming to stay, this is what the commission proposed, and roughly this is what was adopted.

In addition to this Berlin methodology, there was always an agreement of absorption capacity, which was used actually to limit the amount which was given to poorer member states. The argument is that you cannot spend more than a certain percentage of GDP per capita. It would just make it difficult, and the construction market would be too much affected and so on.

Our position in the previous negotiations was that we have enough of absorption capacity to absorb much more. So what the commission proposed originally was this 4% threshold, which we did not like. So in a sense we did oppose it as a matter of principle, I was arguing in the council that it is not the right thing, we do have absorption capacity, it could be checked on the regular basis, we do have it. It was also true that the budget was bigger. Both, so the budget was bigger and the threshold was 4%.

So the amount of money that we calculated which was owed to us by the Commission proposal was relatively high. So from the point of view of Poland, we knew this was very big, but realistically, more behind the doors, we knew that it's always the case that the Commission proposal is higher than which will be the end result. So in a sense we expected the budget to be cut, and we expected that, as a result of the negotiations, it might be that we get even less than we had in the beginning. From this point of view, on one hand, we were explicitly saying that we should not have this proposal. We fought against this 4% threshold, knowing at the same time that this might not be what will happen.

The discussions were kind of in two places, one was in this structural actions working party, which is the technical room for the Cohesion Policy, but most of the discussions were being done in the Friends of Presidency group for the Financial Perspective. So this is done separately, but we at least in the case of Poland we did coordinate with each other, we did have regular meetings, so we were writing instructions for each of the group together. Then in the end it was discussed in the European Council when the final outcome was being discussed.

In Poland we had Parliamentary elections in between. So before the parliamentary elections we started preparing operational programmes, with the assumptions - which nobody believed to be true

– that we would get as much money as the Commission proposed. So the first versions of the operational programmes were actually prepared on the basis of the numbers that were then available. But in a sense, again, it was more a political move, in a sense that everybody was aware that the numbers would be probably smaller, but nobody would admit it before the final negotiations.

What happened then? For a very long the time the negotiations were not really progressing, for a long time the negotiation was blocked, under Dutch Presidency and under Luxembourg Presidency there was not much progress, and this issue was just being discussed and discussed over and over again. Other member states supported us that absorption capacity is not a problem, the net payers were actually explaining they do, and that was roughly what was going on.

In the end, in the Friends of Presidency group, under this final agreement, it was decided that this 4% threshold is going to be lower even. But at the same time at the very last minute during the European Council, it is said that Poland actually opposed the proposal and that Germany - from what I understood - gave up some of the money and it was allocated as a special allocation for Eastern Poland.

There was also the second issue, which actually nobody believed it matters, but it did matter. The issue was that we believed that the amount, this 4% threshold, is based on the forecast of economic growth of the next years. And what we believed was that the Commission is assumed that Poland will grow at the rate of 4% for the next 7 years. So we believed that this is not optimistic enough. So what happened was that we believed it was underestimated. In the end, nobody expected an economic crisis…

So what we fought for and what we got in the result and is in the outcome of the European Council. It was called Technical Adjustment. So in the year 2010, the Commission was supposed to compare the growth rate, the actual growth rate, and the growth rate of that was then predicted and a certain amount of up to 3 billion euro were to be divided between the countries which satisfied the conditions. In the end there were only 3 countries that satisfied the conditions: Poland, Czech Republic and Slovakia, because we didn't suffer much from the crisis, so to some extent - from the point of view of the negotiations – this was very useful.

The other thing that was being discussed is the question of transitional regimes, which did matter less for Poland, but definitely for Spain. And there were legal issues about whether Spain should get, because Spain was leaving the cohesion fund, which was a big source of money for them. They were really successful in the negotiations, in terms of they opposed and vetoed everything that did not have appropriate arrangements, and they got more than we expected. So any specific questions now, up till?

Q:
Yes, so it was most important for you to have this capping as high as possible…

A:
This was considered in terms of allocation amount, this was the one. And the other was - I suppose they were related - the issue of proper assumptions of the economic growth. So these two issues I

remember were most important during the negotiations. Later on, things like this special allocation for Eastern Poland… it was only decided at the very last moment as part of the compromise deal rather than something being discussed…

Q:
I see. I looked at the negotiating boxes and I saw that this additional amount was already there at the first European Council meeting when this was discussed, but it went up much towards the end.

A:
Yes, towards the end it was increased. Well you see, it actually is very untransparent and transparent at the same time. What you see as the result is that you have a list of regions that get money for different reasons, so it was a last-minute compromise, consisting of a lot of transfers… special allocations for the sparsely populated, special allocations for the poorest, meaning Polish Eastern regions. So there is always an excuse for justifying it, but in practical terms it was just transfers to get the net position in a proper place.

Q:
So did you have specific calculations or estimates of how much you wanted to get out of that?

A:
Not of how much we would like to get. But we did a very good model which estimated what the proposals meant. Because it is never transparent. Never anybody presents you actual numbers divided by country, but each member state does have its own model and we did have numbers that showed us: this proposal of the Commission means this… So we could on a regular basis instantly calculate how much money we get from this one.

But there were some numbers being discussed and the Prime Minister had some numbers that he would not like to go below. And the actual number was really higher than we expected. Our prime minister finally said very loudly 'yes, yes, yes' when the negotiations were finished.

Because there was also a third issue, and for us it was the timing of the agreement. We did want, - and unfortunately everybody knew which weakened our negotiation position -, we were really interested in having the money fast. Because what happened was that between 2004 and 2006 we had a relatively low amount of money because after accession it was low. If the previous budget was continued on a similar basis of the previous perspective we would have gotten a relatively bad deal.

We also did not understand how the negotiations worked, which was also to some extent true. We did not have much impact before the proposal of the Commission, because we joined the European Union very late. So from this point of view, now I know it is a very very important period right now, when the Commissioners decide about how to split the money. Then, we were really not taking part. So we entered the negotiations at half of what we thought is the beginning, but in reality the Commission had already made the decision of how to allocate the money between themselves.

There is also one issue, but it was never really seriously raised, but we considered to raise it. The agricultural fund and fisheries fund used to be part of Structural Funds and the question was whether this capping should also apply to the agricultural and fisheries fund. And at first we played with the ideas that we - in theory - instead of an increase the capping could just ask for not counting them, since they are no longer Structural Funds, so they should not be included in the calculation. But in the end, they are. We never really seriously raised it during the negotiations.

Q:
So you are one of the countries which is affected by the capping?

A:
Yes, because we are one of the countries affected by the capping the rest did not matter. So for us, this is the *only* factor that is determining the amount of money.

Q:
So the overall budget…

A:
So the overall budget has a direct effect. Overall budget of course is better to be higher, because than we would probably get a higher capping if it was a higher overall budget. But for example the issue of how to allocate money between objective 2 regions, or whether counting employment or unemployment… it doesn't matter, it didn't matter at all, we were completely aware that this is not our problem. So for a lot of countries it does matter, because it for example matters which region gets how much money, but for us it did not. We were objective 1, so for us nothing mattered whether objective 2 what criteria, and what criteria will be divided between objective 1. Because if you are below capping, the Berlin methodology becomes sensitive, because you might have the rate of employment or the rate of GDP or how you calculate the current allocation for cohesion fund for example, it does matter. In our case, since everything all together is put in one envelope and we are capped, nothing matters. So for us, and we are completely aware of that, capping was the issue; the rest were issues we could support or oppose because of our tactics, but we were never really affected.

Q:
So with which countries did you side during the negotiations?

A:
We had very good cooperation with the new member states. So we had regular meetings, not only on the side of the allocation, but also on very technical matters. So mostly, the closest cooperation was with Czech Republic and Hungary, then Slovakia.
But then we had setup a new member states group, which was set up before the regulations were published, and it was continued for some time, it is even formally continued right now, but it changed its meaning.

But during the negotiations it was mostly bi- and multi-lateral meetings initiated by the member states. We invited each other and did try to coordinate our positions, before the meetings, generally with Hungary, Slovenia…. The most active participants of the group were Slovenia in our case, very often it was for personal reasons, because the guy was very good negotiator, and so on, so it was Slovenians, Hungarians, Czech Republic a little bit less… and we were very active on behalf of the new member states. So it was mostly, during those negotiations, new versus old.

Q:
So you did not really side with those old member states which were still major beneficiaries of the funds?

A:
With Spain it was very difficult, they had very very straightforward negotiation techniques, they wanted more money, they did not discuss anything in detail, they were relatively very 'pushy' in their approach. We tried to cooperate with the Commission, to convince somebody, and they did not even try to convince anybody.

We did try to - of course, whatever was the Presidency – trying to convince the Presidency and so on. And also with different member states we talked differently, with the old member states. Some of them like Germany were more interested in the Cohesion Policy so from their point of view it was sometimes easier to support whatever they were proposing. France was also a kind of 'normal' partner, in a sense. But the UK for example, then, had the political position of rather opposing cohesion policy, in general terms, and also the Netherlands. So these countries were generally considered as those were there is no point of talking to them.

Of course in the Friends of Presidency group, but I know it only from second hand, it was broader. So in the case Friends of Presidency group, this cooperation sometimes extended to the other member states, it had to. So they were very close, there were even quite close contacts with Germany in particular, and the end result and this special allocation is in some extent the result of these contacts. At a very high political level it was also discussed, but rarely at the very detailed terms.

Because what happened really, is that these decisions were made under a very short period of time, actually it was under British Presidency, actually within a couple of weeks even. In the beginning of the British Presidency there was a lot of talk that they want to wrap it up, and then there was a series of negotiating box papers, and in the end there was the European Council… For a long time there was just a lot of talk, but without substance.
But there was a serious attempt under the Luxembourg Presidency to reach some kind of agreement, but in the end the big players did not want to join in.

Q:
But Poland would have joined, as I understood..?

A:
We were surprised. Because first the Luxembourg proposals were not right for us, but then they were very supportive of what we wanted to have, and they were really reasonable in what they wanted to propose, but only from the bilateral and multilateral meetings. It never was a formal proposal from the Luxembourg Presidency.

Q:
Would you say that it were difficult negotiations?

A:

It was, and the allocation part the least. Except from the negotiations, there were a lot of technical matters: we did not know how to work the room. The Commission was very uncooperative, we did not understand what they really wanted. We found that they were very often completely ignorant of the issues. It was very difficult at the technical level. They were very pushy, and we really had to convince them. Also the other member states sometimes did not understand what we wanted. We were very open-minded and transparent in what we wanted and somehow very often we lost the fights, also because we did not know how to deal with this type of …

I think it is also partly a reason how resistive DG Regio was back then. Their chief negotiator was […] who was a deputy Director General then, and he has an extremely strong personality. So he was the master of the room all the time. He ridiculed whoever disagreed with him; he is an extremely skillful negotiator. He had a vision of how Cohesion Policy should look like and he did not like dissent. For us, it was a big lesson. So it was difficult negotiations from this point of view.

The allocations as such were understandable. So, for us the result was something along the line we expected it to be. From this point of view, it was not that bad. It came roughly at the time we expected it to come, roughly at the moment we expected it to be, even though we were a bit less optimistic about it, so from this point of view it was ok.

But the other parts of the negotiations were kind of difficult to predict. We won certain things we did not expect to win, we lost some things that had to be changed later on because we were right, but it was interesting definitely. But difficult.

Q:

Would you say that Cohesion Policy was the major issue in the Financial Perspective?

A:

In the case of Poland, definitely. And in the general negotiations I think also. In the sense that it also matters, it is always the issue of agricultural and/or even versus Cohesion policy, and the relative size of the two policies. Also especially in UK politics, it was a salient issue, so everybody was discussing it. The allocation is always a big issue. In terms of the shape of the Cohesion policy, no. This was never really taken up at a political level. It was always discussed at a very technical level.

This will be different now. It was our idea and we tried to push to also have a political debate on what the policy should be about, what it should bring. In the previous perspective this was not there, it was just about money. The rest was just propaganda, in the sense that it was just talking rather than really being an issue for negotiating on the special high political level. So it was co-financing rates, how much money, what is the split between various things, but nothing really important except for that.

Now it seems that the discussion is also about conditions, conditionality and effectiveness, so it is more broad; and this is what we pushed for, in the sense that we as Poland also wanted to have a special Council formation for Cohesion Policy to increase the visibility of the policy. We have this position for three years right now, and we pushed for it without much success; some new member states do support this, some old member also sometimes do, but we will have discussions on this during our first Council as the Presidency. We want to start a custom, and the Hungarians already did some things. We convinced them, we as Polish Presidency will also have this discussion, Denmark will probably continue because of the timing of the negotiations, and we hope that this will become a custom. It is also important to have Ministers responsible for Cohesion Policy participating in this debate in the Council, so that it is almost like a special Council formation. So we are having discussions not only on the allocation but also about the effectiveness of the policy. So we want to move the discussion to a higher level of importance.

Q:
How much a role in your arguments played values like solidarity, sticking to the goal of cohesion, and funding for the least developed regions and member states?

A:
In terms of rhetoric, it did matter. But also, at the same time, and already from the beginning we had a position that was rather unusual for a new member state, namely that the cohesion policy should be for all. The natural position for us should be that it should only be for the poorer member states, and that they should get it if the budget was smaller. But from the beginning we thought that it would actually be a good idea to have the other countries on board. It was sometimes practical, sometimes tactical. Practical, because we think if only the new member states would be benefitting from the policy the rules would be tougher, because then the others would not suffer but we would. It's always an issue like that. They would then impose rules, on public procurement, etc. that they themselves do not have to satisfy, a conditionality; for them, they would save money indirectly; they would such hard rules that we would not be able to follow…
So if there are rules, they should be applicable to everybody, and they should suffer if we suffer.
Also for tactical reasons. In order for them to support the size of Cohesion policy, they have to benefit from it.
Partly, also, we do believe that they need money as well. There are some old member states with poor areas, Brussels for example, that need this kind of money.
Of course we used a lot the argument of solidarity. We tried not to use the argument of redistribution, so that this is a payment for us to implement policies of the European Union, so in the sense of: for exchange of opening our markets you are supposed to pay us this amount of money. Although some other member states did use this argument. And sometimes, it is also true, for example in the case of environmental supports, also in term of building roads. We would never have so many overpasses for animals if it was not for European money. So this extra cost is partly covered from the Cohesion policy. But we tried not to use it as an argument. The argument was supposed to be broader and more general and rather not applicable to the member states. But we did use the argument that there should be a concentration on the poorer member states who have lower resources.. but only concentrated. There were some (new) member states that preferred to have a situation in which it is new or poor member states only. There, there was no support for Objective 2 even as an idea. For the new member states it was not so clear if they should support this, especially the Baltic states. In the case of the Czech Republic, Hungary, it was different because they did already have Objective-2 areas. For the others it was always a controversial issue. And for the UK, if I remember correctly, the position was also to concentrate on poor member states.
They tried to sell that they oppose cohesion policy for themselves, for the Netherlands, for France, that the amount should be lower and that we should cut money for the rich member states. Because there is no point, it's too small and so on… So this was the position of some of the net payers.
In our case, we quite actively promoted the other solution. And we will do it again this time. We are strongly in favour of cohesion policy directed to all member states. Now, the Netherlands and Sweden, and also Finland are hinting are even openly saying that they don't want Cohesion Policy for rich countries, but except of them this is no longer the case. The other rich member states, do not openly oppose it. So in some sense, there is less solidarity in it. France is saying, for example, that

they want a lot of Cohesion Policy for themselves, in a very very mercantile way, so there is less talk about solidarity. The UK still plays this card to some extent but most of the other net payers are not saying that. Now it's much more complex. Germany is often cooperating (with us), the y do benefit from Cohesion Policy, they do have Länder that benefit, so we sometimes have a lot in common with Germany. Sometimes there have been joint positions of Visegrad countries and Germany on some issues. This means that sometimes we find common ground with other players as well. On simplification for example we have quite much in common, more in common sometimes with the net payers than with some new member states. So now it's more complex. But in terms of allocation I think we will see … Our new position in Poland is now that it's also important for what we spend the money. If the money comes with a lot of stupid strings attached, so if we have to spend money on something that we really don't need, then it's no use of getting much money. The proposal by the Commission was quite flexible, so we can decide ourselves what to spend our money for.. The next perspective may be different in that regard, so we prepare for tough negotiations on that. We don't only want them to concentrate on the amount of money, we want it to be forward-looking, to EU 2020. Some countries just want to build a lot of roads, but we want more. We want to concentrate on targets in innovation, but we want to be able to decide at the regional level what we really want to spend it on, which some of the people in the Commission do not like. They would prefer a top-down approach, and we would not like that, but we'll have negotiations on that.

Q:
Would you say that there were also factors external to the negotiations, or domestic issues, that had an influence on the negotiations or the final outcome?

A:
In the case of Poland, not really. The government changed, from left to right, but that did not have much effect. There was of course the Constitutional Treaty which was being discussed, so the role of the Parliament and the size of the majorities were discussed, whether there should be Nice rules..
But in practical terms it didn't matter. What mattered more was the UK's politics and the position of Blair, which I think was actually very useful for the negotiations. They were in the right place. The UK would be much more difficult if they had not been the Presidency of the Council. So this came in the right moment. The biggest thread for us was that the negotiations would be delayed for two more years. And they were roughly finished on time which everybody assumed rather unlikely. But it was because of the good timing of the UK that a result was achieved, which at the time though we did not like that much. So this was the biggest external factor. But within Poland, there were no real changes, not even in the negotiating team of civil servants.

Q:
What do you expect from the upcoming or already ongoing negotiations?

A:
We do expect them to be tougher to some extent, in financial terms, because of the political climate. We think it will be even tougher to have an agreement, because of the strong focus … A lot of big payers to the European budget made the size of the European budget a part of national politics. It was much less the case last time, except for the UK. The countries now are far less flexible than they used to be. There is the crisis of course, so everybody cuts expenditure and it has practical implications. So we do expect, and everybody expects the budget to be lower. We do not admit it in

public , but everybody expects it. Some member states did say that, some already wanted to fo ex ante kind of commitments - some of the net payers - and they pushed for a lower size of the budget.
We are also afraid that the ‘friends of Cohesion Policy’ are less numerous this time than they used to be. Maybe Germany is a kind of friend of Cohesion Policy, but we are not sure if this is a really strong friendship. France is officially rather skeptical. The UK seems to be rather friendlier than they used to be seven years ago, but this might be just tactics. So it will be difficult and we don’t know what will happen.
In terms of the amount of money we expect it to be difficult. And it might be prolonged.
It’s also important what kind of Presidencies we have ahead of us. Because there is a series of relatively weak Presidencies; there is Poland which will be quite strong, and there will be Denmark that we consider also quite strong. It would have the political power to actually reach an agreement, and this is the best outcome that we could hope for. But this might be very difficult to do. And then we Cyprus, Lithuania, Ireland, Greece.. all of the countries with a lot of problems which will mean that there is not going to be any Tony Blair around to push. There is also a series of important elections, first in France, than in Germany, so national politics will probably have an impact on what is going on.
Everybody is kind of very realistic about expectations this time. The Commission also proposes their proposal later than last time, and the Cohesion policy regulation was supposed to come in July and now it will only come after the summer.. so this is again another factor to take into account.
We hope that the negotiations will be much smoother this time. What happened last time was that the Netherlands were not really progressing the negotiations at all, this was their tactics to not do anything at all and they did perfectly. So Luxembourg was also rather weak.
So now we have Poland and Denmark starting to work very hard already from the beginning, so we will try to do whatever is possible. If not, then Cyprus might find a solution. Part of the Commission would like to have an agreement already then. But we will see. It will require a lot of goodwill from a lot of member states.
May personal view is, I’m a bit more optimistic. Because I think that the crisis is making it actually easier to reach an agreement. Because it will be important for the leader to send a signal that the European Union works and that there is no problem. What might be a problem is the European Parliament. This is the most important negotiations they have. So they will be unreasonable and go for a higher budget. But I think again that because of the crisis it will actually be easier to reach an agreement because everybody will be interested in showing unity. So it’s paradoxical: the more problems we have, the more likely a deal will be made. Germany will be interested in a fast solution, or generally all euro countries, to show that everything works fine, that there is no long-term problems, and even Poland … So it’s much more politically visible, and any failure will be discussed as resulting in the euro exchange rate going down and so on.. And for countries like Portugal and Greece it will matter for their public finances as well. So nobody can afford not having an agreement.
But everybody is prepared for long and difficult discussions. It will be solved probably only after German elections which will be late..
But in terms of amounts of money, we as Poland are realistic in terms of the money we can get. We expect the budget to be lower, and we expect the Cohesion policy share of it to decrease. We will fight for it not to decrease, but it’s possible. But it would be a good thing if the Berlin methodology together with some kind of capping is maintained because we developed faster than the rest and therefore will benefit from that. All the rules in this particular case are in our favour. The richer you

are in Cohesion policy the more money you get, to some extent. So from this point of view, we expect that probably in nominal terms we'll probably roughly get the same amount of money.

We hope that the Commission proposals will come as soon as possible so that we can start the negotiations. Because as Polish Presidency we would like to have as much influence on the issue as possible. We would like to set up the negotiations more about substance than about money, but we'll see what happens. We want to frame the negotiations in a more general setting of Europe 2020 and of achieving the results and only then finding the appropriate means to do it. But we are realistic in terms of what matters,. What will be nicer this time is that we'll have a much better network. We'll know better this time about the position of other member states, and we share a lot of things with almost every member state. In terms of technical things, we are very middle of the road. We are relatively close the position of the Commission, so from this point of view it will be easier. We have much better grasp of the issues, and we understand much more sensitivities of the other countries.

We try to downplay the expectations, but we are not too pessimistic. We want to start the negotiations early, and especially the Commission or DG Regio wants us to start the negotiations; we are relatively trusted as a kind of broker in this field. We want to cooperate quite closely with Denmark and Cyprus. Denmark is also a player relatively middle of the road, and a relatively reasonable partner, they do not publicly come against Regional Policy and the size of the budget is not so much an issues. We also have general elections coming up, but the government is likely to win, and even if not this will not change much for us. The interest of Poland are very straightforward, we want more money, but as I said, but also money to be spend for the right things and in the right way. We try to make the point of concentrating not only on the amount, but on the effectiveness.

Interview 3

Q:
I heard you were involved in the negotiations and could tell me a bit more on the Dutch position…

A:
I was the head of the financial section here, so I did the Presidency of the Netherlands, and then I worked on the Friends of the Presidency Group which prepares the COREPER.
The point of view of the Netherlands is quite simple. The first thing was that we did not want a generous budget. That means in real terms zero growth in expenditure. The second thing was an improvement in the relative payment position. And the third objective was 'new for old', new policy areas instead of the old ones. Now we still have about 80% of the budget for agriculture and Regional Policy. So you could say that we did not succeed in the third objective, the modernization of the budget. And the modernization of the budget in a certain way is the same thing as getting a rebate on the own resources. Because if you would have a more modern budget we would have a relative better payment position because the Netherlands does not get a lot of money out of the structural funds and also not much out of the agricultural policy. So therefore our payment position is so bad. And that was by the way the same position as the British one. They said we want a more modern budget, and if we do not get a more modern budget we do not want to abolish our rebate. So this is two different sides of the same coin.

Q:
So your position on the Structural Funds was also to have less money going there?

A:
Yes, we had a very clear view on that. My minister Zalm always said: why do I have to pay for Southern Italy when Northern Italy is richer than the Netherlands? He always talked about pumping around money. So therefore – and that's still the view of the Netherlands – we want Structural Funds going only to the poorest regions in the poorest countries. We call that the Cohesion approach. Sweden, the UK and NL did not want that the richer countries were eligible for the Structural Funds, because they are rich, they could pay for themselves and their regions. That was a bit of an extreme position, and I don't know how many countries are having that position in the upcoming negotiations. It's a minority point of view.

Q:
So you're prepared that you will not get through with that position..?

A:
Yes, of course. We will press for that again, with the UK and Sweden perhaps, but it's not realistic I think.

Q:
So, did you have a certain amount of money in mind that should go to that policy?

A:
No, not really. At the beginning of the negotiations, there were six countries, the 1%-club. That was that the new Financial Perspective should not be more than 1% of the national income of the EU. There were differences of opinions whether this should be disbursements or commitments. The French wanted to have it in disbursements, and we wanted to have it in commitments, but because we had differences there we didn't spell that out. So 1%, which was much less than the Commission proposal was.

Q:
So – apart from s focus on poor countries only – did you have a position on the architecture and rules for the Structural Funds?

A:
No, not really. We did not have a really clear view on what should be changed. Because we have the three objectives. I think you can say that we wanted to abolish the objective 2, the competitiveness objective, because all the member countries are eligible for it. We wanted to focus on the poorest regions, so Objective 1, and we see value added on the part of the EU in Objective 3, so trans-border, trans-national cooperation, so there is a clear role for the European Union. And that's still our viewpoint.

Q:
How would you describe the negotiations as such? Were they difficult?

A:
Yes, and very successful for us. We wanted a reduction of 1 billion euro for each year, and we got that. It was very successful, apart from the modernization. It's sad, but I think it's still not realistic to say that we want another budget. Because still France and others want to have agricultural policy, and France and Germany want to have Structural Funds for Eastern Germany, so I think for the next Financial Perspective we will have the same budget with again 80% for agriculture and cohesion, and on modern policy we won't have a lot of new or fresh money.

Q:
Did your position on anything change in during the negotiations? Or were you more flexible on certain issues than on others?

A:
No. We had a deliberate policy of getting away from the Commission proposal. And we had a building block approach. So my minister said: I want to see which countries want what kind of policy. So we devised building blocks with groups of countries, in order to have a nice overview on what the different countries wanted of the EU, and at the same time this was a way of getting away from the Commission proposal, which is of course 'sacred'. The Commission has the right of initiative and you can't easily say: Commission, go away, we have a better proposal. Unless you have unanimity. But we couldn't reach unanimity to have another proposal from the Commission. But the building block approach was a way of getting away from the Commission proposal. And what struck me was that the Commission had no role in the whole negotiations. I think it's an exemption. You know it was really 'Chefsache', as you say in German. The countries were running the negotiations and the

Commission was a facilitator. The Commission produced paper and sheets of technical explanations, or on how policies work, and on how much money was involved in the different policies. That was very useful, but it was the role of a facilitator, not the role of initiator. Of course in the beginning they did the unrealistic and generous proposal, but in the subsequent 2 or 2.5 years they were just facilitating the process because they gave explanations in our group. And they produces also – on our request - technical papers, and that was it. So it is really interesting to see that the Financial Perspective was really run by the capitals.

Q:
How about European Parliament then?

A:
European Parliament did almost have no influence. Of the whole package, I think 3 or 4 billion were amended or added of more than 800 billion. How come? The trialogue.. I think it was because the whole package was so delicate, it was so difficult to reach an agreement, that they did not want to put it in danger, or risk it. So they didn't do a lot. So almost no role of the Commission and almost no influence of the European Parliament. What is also interesting, the new member countries, they were really flexible. Otherwise they would not get any money, because they acceded in 2004, so this was the really the first time that they would get much money. And of course they shouted: it's a disgrace and we should get more money. But in the end, they were all speaking about the asocial proposal of the UK, when the UK cut down a lot of funds for Eastern Europe... but in the end they said yes, because if there was not going to be an agreement by the end of 2005, they would not get any money in the beginning of 2007, because you need about one year for agreeing on all the regulations and legislative documents in order to spent the money. So because of time pressure they said yes. This was a very important factor. I guess that this factor plays a role in every cycle, but this time it was stronger because it was the first time that they got a lot of money. So there were really motivated to give in.

Q:
In your opinion, what were the most difficult issues to agree on in the end?

A:
The most difficult was….interestingly, if you compare the structural funds with the Framework Programme for research. You know that the Structural Funds are allocated are pre-allocated on the basis of certain criteria, so each country gets a chunk of the money. In research it's different. The programme is run by the Commission, and they award projects on the basis of excellence. So structural funds are allocated on the basis of poverty mainly, and research funds are allocated on the basis of who has the best projects, because you want to award excellence because you want to be competitive of course. And in the negotiations, the new member countries, especially Poland, wanted to get rid of the excellence criterion. Because they say: we have to bridge the technological gap; and I said, you have the Structural Funds for bridging gaps and you have the excellence criterion for Europe to be competitive on a global scale, in the world. And that is something that will come back again. There is always pressure from the new member countries to get a pre-allocated part of the research programme. That was a difficult discussion.
Another discussion was what I said, whether rich countries should remain eligible for structural funds, and we lost that battle because Germany wanted to have it. Especially also – which was a

whole battle – was Spain for example. Spain said: we don't have to pay for the enlargement, because the statistical effect was there. Because of the accession, the average income in the European Union went down, and because of that certain regions in Spain and other Mediterranean countries were not eligible anymore. So therefore we had a transitional arrangement, meaning phasing-out and phasing-in, phasing-out of Objective 1 and phasing into Objective 2. With Spain it was really difficult, and they were very good negotiators.

And then of course we had the discussion on the rebates. We were in a group, and in a way in the end you can't stay in a group because you want to have more money for yourself. But in the last part of the negotiations, the British Presidency did not convene a lot of COREPER meetings, almost none, because the subject had been very extensively, many meetings. What could we discuss more? Everything was discussed at great length. So then the British Presidency had bilateral, Chefsache, and Blair went to different capitals, and tried to reach a deal. In the end we had one or two COREPER meetings and that was it. And then how we succeeded in getting our 1 billion was good contacts between Balkenende and the French President and Blair. What I heard was that when Balkenende visited Paris a few weeks before the summit, they were discussing it, and NL wanted to have 1 billion, and Chirac asked Balkenende: So you need 1 billion for political reasons? Balkenende said yes, and Chirac said: Then I support you. So there were no arguments, no analytical things, just gentlemen on the top level and: 'Oh, you need it for political reasons?' So he got the French support… And we had the Luxembourg summit two, and there we got a 600 million rebate, which we did not like, it was not sufficient, and in the end we got it from the British Presidency. It was a bit of good luck, it could have been 800 million as well, but they liked each other, so… and that was it. It's a little bit of power play. You know, it's interesting to note that in the beginning of the negotiations there was one problem, the British rebate, and how we can get rid of the British rebate. And then our efforts were aimed at making it clear to the whole Community that there was another problem, namely the Dutch excess payment position. And what is the problem? Of course the problem is when you don't agree. You know that the summit needs unanimity. So besides the need of having a solution to the British rebate, we also needed to have a solution to the Dutch payment position, and we succeeded in doing that. We have a history of being pro-European, and therefore everybody thought that when NL is saying something, in the end they will say yes and they will agree on further integration etc. But this was a turning point. Well, we had one other small turning point before, in 2002, when Balkenende intervened in the projection of the agricultural expenditure. France and Germany agreed on a certain growth of the expenditure in the future, which was very bad because it went into the period of the next Financial Perspective. So that preempted the discussion already. And Balkenende said: No, I think it's too high, in a plenary meeting, and that was not done in such a meeting, that you say: no, I don't agree. So that was the first shock, but the biggest shock came when they were conscious of the fact that NL would like to say no to the package if there was no solution to our demand. We had a ministerial meeting in NL to decide on the strategic points, and everybody visiting NL and going to the capitals in Europe had the same message: we need a compensation. And in the end that was successful, so that was nice. It's really interesting. In international negotiations you can be successful only of you are a problem, so our aim was to be seen as a problem, because if you are being seen as a problem, then your problems will be solved.

Q:

Were there then also external factors that were influential? Like the referendum?

A:
Yes, that helped I think. It convinced everybody that we were serious about getting a rebate as well.

Q:
Did it also help in the whole process?

A:
Yes, they saw that NL changed. The public opinion, the whole attitude…That was nice.

Q:
Would you say that the outcome of such negotiations – also on the Structural Funds - is based mainly on everyone's cost-benefit analyses?

A:
I do not know…

Q:
Or are there also normative factors involved, like a commitment to solidarity with the poorest member states?

A:
Yes. In those technical papers produced by the Commission there were very complicated formulas, which determined which amount would be available for each country… poverty criteria and inequality inside a certain country…very complicated. But what we did not know was how much money the different countries would get. So we agreed more or less on formulas, but we did not have the information how much money was actually involved, that was all a secret.

Q:
Would you say that there was a great change from the previous perspective?

A:
No, I don't think so. We were a bit disappointed if you compare the share… You always say that you want to have solidarity, and that the Structural Funds is for solidarity. And you think that there is always solidarity with the new member countries, but if you see the new and old member countries, you see that they both get around 50% of the Structural Funds. So it was not so much that all the new poor member countries get the major share of the Structural Funds. That was not the case. Because of Germany and France, everybody got money. Of course Germany is quite a big country, so they got quite much money, and also France. But Germany wanted to have Objective 1 money for Eastern Germany, and France wanted to have Objective 2 money because apparently they did not have really poor regions… and Germany and France got quite a lot of money out of it.

Q:
So, what do you expect of the upcoming negotiations, or what is about to happen?

A:
It will be more or less the same, I think. There is more attention perhaps for research and development. And now the Commissioner for Regional Policy is saying: yes, I want to do more earmarking, more allocation of the funds in line with the targets of EU 2020.. but we'll see how it works out. It's a nice saying, but there is not much new conditionality involved, in the sense that good and effective regions get more money. He is prepared to have an unallocated performance reserve, but it is still (only) 3 or 4% of the total envelop. He wants to allocate extra money to the regions that accomplish their aims very well. But NL is against. I asked The Hague: why are you against?, and they said: well, because it's not really doable. A lot of administrative burden of how to determine whether a region is performing better than other regions.. but conceptually it's a nice idea. Anyhow, it would only be a very small amount.. But I think that everything will be allocated as before. There will not be many differences. A lot of blabla about research and development, but not really a difference.

Q:
And in terms of numbers? Will there be any big changes?

A:
I think the Commission will be more realistic than the Prodi Commission before. Hahn said: I would already be satisfied if we could get the same amount in nominal terms for the Structural Funds. That means that the Commissioner for Regional Policy is already satisfied with a decrease in real terms of his budget. That says something. I really like that. And maybe some extra money will go to the Framework Programme. And there will be less money going to agriculture, I think. What we see over the years is that the share of agricultural policy and cohesion is decreasing, maybe 5% every 7 years… I think it's a Dutch point of view that agriculture in nominal terms should get the same money, so in real terms a bit down. I think that this is the general trend, that agriculture and the Structural funds go down.

Q:
And what will be the effect of the Financial Crisis and the crisis of the euro?

A:
That is the effect mainly. That the Commission will not ask for a lot of more money. They will be a lot more realistic. So in real term a zero or a very minor growth.. and what I hear from the Commission is that they focus on getting more value for the euro, so that they are more critical in terms of expenditure and evaluation, to make spending more effective. That's always nice to say, but to realize in practice is another problem.

Q:
So if the Commission is already being a bit more realistic, will the negotiations also be smoother, less difficult?

A:
No, I think it is always a fight about money, so it will be the same I think. I don't think there will be a lot of differences. From the point of view, Greece will be poorer of course, Germany will be richer, and the Eastern European countries will be relatively richer because economic growth is higher there

than elsewhere in Europe. So that will give rise to certain differences, so that maybe more money will go to Portugal, Spain and Greece this time and a little bit less to Eastern Europe because they are richer. In the end, it is determined by the poverty… which is normal and which is good. Because the money should go to the countries and the regions who really need it.

Q:
So your overall point of view is that you want the money to go to the poor regions and have a rather low budget. If that does not succeed, do you then also want to have something extra out of the Regional Policy for yourself?

A:
What we always want – because it's the only policy where we have a positive return, pay less than we get out of it – is the Framework Programme. For us, this is the best programme there is, also for Germany, because our industry needs a lot of research funds. That's for the benefit of our country, but also for the benefit of Europe. Because I think the overarching consideration will be – and that is EU 2020 – how can we make Europe competitive, on a global scale, in a globalised world? And if you speak about a modernization of the budget, if you speak about the crisis, then you speak about the competitiveness of your industry.. and to further innovation by additional research efforts. And there the European Union can play an incentive role of course.. I think that the whole mood in the crisis is indeed more towards the 2020 objectives, that means more money to the research and development programme which is already ongoing since a number of years.. In the current Financial Perspective, I think the rise of the research and development programme vis-à-vis the former programme is enormous. It's the biggest increase, which does not say so much because if you have a small budget and you add some the rise will be very big… But the increase for the programme was a lot higher than… I will send you a table where you can see this..

Q:
It just struck me in the agreement on the Structural Funds, that many countries got something extra in the end, some extra allocations outside the general rules.. but the Netherlands were not among them.. so that was not a priority for you?

A:
No. I can tell you a different story. When I was at the summit with my minister, he was very pleased to see the draft document. He said: Leo, how nice, we are not on the list of countries who get presents. And that was a deliberate policy of NL, you should really note that.. We always said that we don't want any extra expenditure for NL. What we want is a rebate on the income side. So not the expenditure side, but the income side. And that makes sense. In the beginning a wrote a note to my ambassador with my collaborator, making clear that if we got 10 times more out of the budget than we had before, then it was never sufficient to get a substantial improvement in payment position. So then my ambassador agreed too that this was a no-go. So from the beginning the Dutch government has always said: we don't want extra money out of the expenditure from Brussels, but we want to pay less into the budget. That is very essential. And it is also consistent with the view of my minister who was against pumping around money, like the British and the Swedes: not Structural Funds for richer countries. We can give money to our own regions. That was very important for us.
But now we are having the same discussion with my deputy ambassador. He said: we should get more out of the budget. And I said: no we shouldn't do that. We should be consistent with last time

and extend our rebate, but no pleas for more expenditure for NL. That’s a cornerstone of our policy. But in the Hague they are still debating the whole issue. It’s not a clear point of view yet. They sent a letter to Parliament one week ago…