MULTILEVEL GOVERNANCE

The Dynamics of EU Cohesion Policy

A Comparative Analysis

OEUE PHASE II
Occasional Paper 0.3 – 09.04

Brigid Laffan

Dublin European Institute
University College Dublin

FIFTH FRAMEWORK PROGRAMME

Dublin European Institute
A Jean Monnet Centre of Excellence

MULTILEVEL GOVERNANCE

The Dynamics of EU Cohesion Policy

A Comparative Analysis

OEUE Phase II
Occasional Paper 0.3 – 09.04

Brigid Laffan

Series Editor
Mary Browne
Dublin European Institute
University College Dublin

Organising for EU Enlargement Project
European Commission
Community Research Fifth Framework Programme
(Socio-Economic Research)

Project forms part of the
Governance Research Programme
Institute for the Study of Social Change
University College Dublin

MULTILEVEL GOVERNANCE
The Dynamics of EU Cohesion Policy

A Comparative Analysis

Brigid Laffan

Published by

Dublin European Institute

University College Dublin

Dublin 4

Project banner

Dry Design

Dublin

Printed by

Copi-Print

Library Building

University College Dublin

Dublin 4

Ireland

ORGANISING FOR EU ENLARGEMENT:
Challenge for the Member States and the Candidate Countries

The Dublin European Institute, University College Dublin,[1] was awarded, in 2001, a research contract under the EU's Fifth Framework Programme[2] to carry out a comparative study of the impact of the EU on the structures and processes of public policy in six small countries: **Ireland**, **Greece**, **Finland**, **Estonia**, **Hungary** and **Slovenia**. The Project's partnership, under the direction of Professor Brigid Laffan, Dublin European Institute, University College Dublin[3], includes: Professor Dr. Wolfgang Drechsler, University of Tartu; Professor Teija Tiilkainen, University of Helsinki; Professor Calliope Spanou, University of Athens; Professor Attila Ágh, Budapest University of Economic Sciences and Public Administration; and Professor Danica Fink-Hafner, University of Ljubljana.

The aim of the research project was to deepen our understanding of the processes of Europeanisation in a number of the existing member states and some of the candidate states.

The research project encompassed the following three objectives:

- The conduct of research which offers immediate policy relevance to key stakeholders in the enlarging Union;
- The conduct comparative, theoretical and empirical research on the management of EU public policy making in three existing member states – Ireland, Greece and Finland – and three candidate states – Estonia, Hungary and Slovenia;
- The shedding light on the capacity of smaller states to adjust and to adapt to the increasing demands of Europeanisation on their systems of public policy-making and thus to identify the barriers to effective, efficient and accountable management of EU business.

Research Strategy

The research design consisted of two phases and within each phase, two levels of analysis. **Phase I** analysed the management of EU business at the macro level of the core executive and was complemented by a micro case study of a recent policy negotiation using decision analysis. **Phase II** of the research broadened the analytical focus to encompass other levels of government – the EU and sub-state – through multi-levelled governance. Here attention was centred upon the emergence of policy networks and the interaction between public actors and the wider civil society in specific, discrete policy sectors.

[1] National University of Ireland, Dublin (University College Dublin).
[2] European Commission, Community Research Fifth Framework Programme (Socio-Economic Research).
[3] This project forms part of the Governance Research Programme, Institute for the Study of Social Change, University College Dublin, www.ucd.ie/issc/ and www.ucd.ie/govern/intex.htm.

Methodology

The study employed two specific methodologies: historical institutionalism and rational institutionalism in a new and innovative fashion. The use of combined perspectives provided a theoretically innovative and new approach to the study of the Europeanisation process. Both approaches could be used as they were applied to different elements of the empirical research.

Academic and Policy Implications

This study's findings provide insight into the manner in which diverse state traditions, institutions and political and administrative cultures influence national adaptation to EU governance and how the interface between national policy processes and the Brussels arena is managed. It is expected that these findings will assist those making and managing policy, thus facilitating adjustments to the changing European Union while also contributing to the growing academic debate on Europeanisation.

At various stages during the course of this project the research findings and analysis were presented to a range of stakeholders and academics to facilitate feedback and enhance the analytical process. Further details about the Organising for EU Enlargement (OEUE) project are available on the project web site www.oeue.net, along with i) the Project Report, ii) the OEUE Occasional Papers and iii) a selection of papers by the research partners which draw on various aspects their project research.

AUTHOR

Professor Brigid Laffan is the Director and Academic Co-ordinator for the European Commission funded Fifth Framework project *Organising for EU Enlargement – A challenge for member states and candidate countries*.

Since 1991, Brigid Laffan has been Jean Monnet Professor of European Politics at University College Dublin, where she is the Director of the Dublin European Institute. Her experience of EU public policy and the public sector stems from both academic research and an involvement with programmes run by the College of Europe in Brugge, the Dutch Clingendael Institute and the Institute of Public Administration, Dublin. In 2002 Professor Laffan was awarded the Government of Ireland Senior Fellowship in Humanities and Social Sciences.

Among Professor Laffan's recent publications are 'Auditing and Accountability in the European Union', *European Journal of Public Policy*, 10:5, 2003; with Diane Payne, 'The EU in the Domestic: INTERREG III and the Good Friday Institutions', *Irish Political Studies*, 17:1, 2002; 'Ireland: Modernisation via Europeanisation', in Wessels, W., A. Mauer and J. *Mittag, Fifteen into one? The European Union and its member states* (Manchester: Manchester University Press). *Organising for a Changing Europe: Irish Central Government and the European Union* (Dublin: The Policy Institute, Trinity College 2001); and *Europe's Experimental Union: Rethinking Integration* with Rory O'Donnell and Mike Smith (London: Routledge, 1999).

INTRODUCTION

The term multileveled governance is widely used both descriptively and theoretically in relation to the European Union. Descriptively it is deployed to highlight the fact that the policy-making processes of the Union are by definition multilayered and multileveled. As early as 1972 Puchala underlined the presence of four organisational arenas in the EU-the subnational, the national, the transnational and the supranational (Puchala 1972: 278). Attention to the multileveled character of the Union accelerated in the 1980s arising from the expansion of EU regional policy and scholarly research on the dynamics of policy making in this policy area. Multileveled governance was developed into a theoretical account of the European Union usually in opposition to state centric or intergovernmental accounts (Hooghe and Marks 2001). What became known as the multileveled governance approach (MLG) made a number of claims in relation to the dynamic of integration, such as:

- The significance of overlapping competencies across levels of government and governance rather than a neat delineation of competence;
- The interaction of actors across levels of government with national executives as important but not dominant actors;
- The significance of multi-level policy networks rather than two level games in the dynamic of EU policy making;
- That national governments were no longer the exclusive link between the national and the European (Marks et al. 1996: p.41)

What began as a framework for analysing one policy area, cohesion policy, was widened to provide a model for the dynamics of integration based on an identification of the limits of the control of national governments either individually or collectively in the Union. The MLG approach highlighted the role of EU institutions and subnational actors as constraining the role of central governments (Marks and Hooghe 2001). A key contention of this approach is that political arenas were connected not nested and that sub-national actors in particular are not nested exclusively within national political arenas (Marks and Hooghe 2001: 4). The MLG approach pointed to the opening up of new opportunities for access by different actors arising from the multileveled character of the system. The focus of the empirical research on multileveled governance tended to concentrate on the role of EU institutions in the member states, notably the role of the Commission in regional policy and on the mobilisation of sub-national actors in the Brussels arena. Little systematic attention was paid to the manner in which EU policy triggered institutional, process and policy adaptation at national level. Moreover, the approach did not adequately analyse how the national and the European arenas were connected and the intensity of engagement. In an effort to go beyond a state centric perspective of the European Union, the MLG approach down-graded the role of domestic core executives while at the same time suggesting that they 'remain the most important pieces of the European puzzle' (Hooghe and Marks 2001: 3). If as they suggest core executives remain important even central, then the MLG approach should not have become 'core executive' blind. Running right through the MLG approach is a failure to take seriously the continuing importance of central governments as translators of EU policies into the domestic.

The six case studies in this research project analysed the dynamics of EU cohesion policy at domestic level over time. Ireland engaged with the evolving EU regional policy from membership in 1973 and began to benefit from the European Regional Development Fund (ERDF) from 1975 onwards. Greece benefited from the structural funds from membership in 198. The Integrated Mediterranean Programmes (IMPs) that were designed in response to its re-negotiation were a laboratory from subsequent changes in cohesion policy. Finland, a relatively wealthy state, benefited from transfers from membership in 1995 under the provisions of objective two and six. The three new member states, Estonia, Slovenia and Hungary, benefited from EU transfers and pre-accession aid in the period leading up to membership. For all three states, European cohesion policy is of major salience domestically as they adjust to membership.

The objective of the research was to analyse the impact of EU cohesion policy on:

(I) Territorial politics and management;

(II) Opportunity structures for voice and influence;

(III) Institution building and new policy paradigms.
(See Tables 1 and 2 for a summary of the findings for the six states)

The analysis of I and II above enable us to test key propositions of the MLG approach. The MLG approach would expect EU cohesion policy to have a significant impact on territorial politics and management and on the opportunity structure for voice and influence at domestic level. We would expect a proliferation of voices seeking influence through partnership and projection in the Brussels arena. Cohesion policy would enable sub-state actors to evade and escape central government control. Going beyond an MLG approach, the research sought to analyse the pattern of institution-building and the development of new policy paradigms within the member states as a result of engagement with EU cohesion policy. The research was designed to explore the translation and editing of a European policy with a developed model of governance in six states.

THE COHESION GOVERNANCE MODEL

The evolving politics of cohesion led to a major change in 1987 with the Single European Act (SEA). The SEA embedded the values of cohesion and solidarity in the Union's constitutional framework. This was followed by a major reform of the manner in which EU funds were spent in the member states and a sizeable increase in the scale of the financial transfers to Europe's poorer regions. The increase financial resources for structural spending was a central element of the so-called Delors I financial package that lasted from 1988 to 1992. The new fund regulations established priorities for action and new grant-awarding procedures. The key features of the new grant awarding procedures were:

An attempt to concentrate EU funding in areas of greatest need;

- A shift from project to programme funding;
- A shift to multi-annual funding;
- An emphasis on partnership between different levels of government and between state and civil society. The creation of monitoring committees at national level provided the key institutional expression of partnership;
- An emphasis on the additionality and transparency of EU funding (Laffan 1997)

The key features of the 1988-1992 programming period survived the reform of cohesion policy that accompanied the negotiations of the second financial package (Delors II) that was to last from 1993 to 1999. There was an expansion in the areas eligible for Objective one status, thereby diluting the concentration principle and a reduction in the programming process from three phases to two. A further increase in the financial resources of the structural funds was also achieved. The member states clawed back some of the powers they ceded in this policy area in 1988 in the 1993 reform but did not renationalise the policy area. The requirements of partnership and additionality were lightened somewhat and the member states assumed a greater role in determining eligibility (Peterson and Bomberg 1998: 152; Mitchell and McAleavey 1999: 185).

A major review of cohesion policy was heralded by the prospect of the continental enlargement of the Union. When the EU began to negotiate a new financial perspective with the launch of the Agenda 2000 proposals in 1997, a review of cohesion policy was clearly signalled. The key objectives of the Commission in its 1998 proposals on reform were to enhance the importance of concentration in the spending of the structural funds, to simplify the programming procedures and to redefine the role of the Commission in this policy field (Mitchell and McAleavey 1999: 186). The desire for simplification led to the reduction of the previous six objectives to three and the reduction in the number of Community Initiatives to four. The new regulations put in place the programming and partnership mechanisms for a more decentralised cohesion policy. New partnership arrangements were established in the member states and between the member states and the Commission. Within the member states a wider definition of partnership was established to include regional and local authorities, the social partners and NGO's, particularly environmental interests. With respect to the relationship between the Commission and the member states, an effort was made to establish a clearer definition of the responsibilities of the three key players, the Commission, the Managing Authority and the Monitoring Committee. The Commission's role was to determine eligibility, establish programme guidance, modify programmes only at the level of strategic priorities and approve large-scale projects. The reform of the role of the Commission led it to propose that it would no longer be a full member of the Monitoring Committee but would attend as an observer. Moreover, it required much less detail in order to negotiate the community support frameworks or the single programming document with national and regional actors. This implied a commitment to decentralisation and some would argue a re-nationalisation of the Union's policy process in regional policy.

The hands-off approach by the Commission was accompanied by a marked emphasis on monitoring, including quantified indicators, ex-ante and ex-post evaluation, and more stringent financial management. The internal reform of regional policy was accompanied by a reform of the mechanisms for financial transfers to the candidate states. A disparate range of financial instruments, Phare, Tacis, ISPA and so on were moulded into what was defined as pre-accession aid and pre-accession policy. Cohesion policy is a very important policy for all of the new member states and candidates as it will provide them with financial resources that should assist their adjustment and adaptation to the political economy of the Union.

IMPACT ON TERRITORIAL MANAGEMENT AND POLITICS

The Old Member States

One of the central assertions of the of a multi-levelled governance approach to the EU is that states have lost their control over exchanges in the policy networks that animate the EU. Marks, Hooghe and Blank claim that 'the state no longer monopolises European policy making or the aggregation of domestic interests' (Marks and Hooghe 2001: 3) and that 'states no longer serve as the exclusive nexus between domestic politics and international relations. Direct connections are being forged among political actors in diverse political arenas' (Marks, Hooghe and Blank 1996: 372). The whole trust of the multileveled governance literature is to down-play the role of core executives in managing the nexus between the European and the national especially in relation to regional policy. The evidence of the six case studies did not support this central claim of the multileveled governance approach. In all six states, the core executive was the dominant actor in establishing the institutions and practices that moulded the operation of the structural funds. It was not just one actor among many but the one that possessed a degree of authority and legitimacy that gave it a privileged position in the policy field. It remains the dominant actor in determining the priorities for national development plans, the distribution of EU monies across different sectors and geographical areas and the channelling of demands to the Commission. Deliberations within Government and inter-ministerial negotiations were the key locus of domestic prioritisation concerning cohesion spending. Moreover, the domestic core executive was the privileged interlocutor with the Commission during the negotiations of the Community Support Framework (CSF). The fact that all six states in the study were small states with a strong tradition of centralism reinforced the key role of national core executives. The structures and processes of central-regional-local relations served to privilege central governments. Central governments controlled domestic budgets, institution building and change, and were the key translators of European policy into the national. Claims of the declining role of central governments in mediating relations with Brussels were not borne out in the study.

Engagement with the EU did, however disturb territorial politics and introduced an new dimension to the discussion of sub-national government and the management of regional policy. In response to Commission pressure in 1987, the Irish Government created seven regions that had a role in drafting and monitoring plans for EU spending in the regions. It was concluded that the regions 'did not represent a meaningful attempt by central government to engage with regional interests….but was the minimum required to satisfy EU rules' (Callanan 2003; 431). The symbolic reform of 1987 was followed by the establishment of 8 regional authorities in 1993. Members of the Authorities were drawn from the elected local tier, had a limited staff and no executive functions. With regard to EU cohesion policy, the regional authorities had a role in developing plans for their areas and in monitoring EU spending in their areas. The eight regional authorities survived into the 1999-2006 planning period although the country was divided into two Nuts II regions for the purpose of EU cohesion policy. In November 1998, the Government applied to EuroStat from approval to have the country divided into two regions. Following considerable informal bargaining, agreement was reached on dividing the country into the Border, Midland and Western Region (BMW) and the Southern and Eastern Region (SER). The two regions have a delegated regional assembly made up of councillors from participating local authorities. The division of the country led to the first ever 'regional' operational programmes in Ireland under the 1999-2006 financial perspective. The impact of the new institutions should not be over-empasized; the regional assemblies had no executive functions and were there to provide a sub-national perspective on the policies of central government. The politics of grantmanship was the central influence on institution-building.

The implementation of cohesion policy in Greece was accompanied by two episodes of reform in the structures of territorial management. Between 1982 and 1986, the newly elected Pasok Government began a process of decentralising the highly centralised Greek state by strengthening the development mission of local authorities and by creating prefecture councils to flank the traditional prefectures. In 1985-86, the Government created 13 administrative regions to act as the basic administrative unit for the Integrated Mediterranean Programmes (IMPs), creating the first regions in Greece. Their only responsibility was the management of the Regional Operational Programmes of the Community Support Framework. In 1994, following re-election, the Pasok Government established directly elected prefects and prefecture Councils. The Government also created an independent regional administration and embarked on a major reform of local government. The cumulative impact of the reform processes was a change in the balance of territorial politics and the empowerment of all sub-national actors. While EU structural funding was the impetus for change in 1986-86, the other reforms were driven by domestic political concerns. The Greek study concluded that 'cohesion policy, instead of empowering local actors and fostering region-based approaches to economic problems, operates primarily as a tool for maximising the political leverage of the national government. This is not to say that subnational and non-governmental actors have not improved their positions in the Greek political scene thanks to EU funding. However, far from becoming autonomous, they remain firmly embedded in a centrally controlled network of intergovernmental relations' (Andreou 2004: 24).

Turning to Finland, EU membership was a vector of change in Finland in the area of regional policy. Traditionally, Finland's unitary structure combined strong central government with autonomous municipal government. The 1991-95 Aho (Centre Party) Government was committed to the creation of directly elected provincial bodies, with an emphasis on 'bottom-up' regional development. A new Regional Law was passed in 1994. During the life of the next Government, the Lipponen I Government (1995-99), the focus shifted from the development of the provincial administration to the development of the state's regional administration. The number of provinces was reduced to five with 19 regional authorities. The role of regional authorities expanded from 1990 onwards when responsibility for regional development was transferred from state bound provincial government to local government bound Regional Councils.

Table 1: The Old Member States

	Ireland	Greece	Finland
Dominant role for core-executives	Yes	Yes	Yes
Regionalism/ regional tier	• Changes in 1988, 1993, 2000-statistical construct •'Containers' for state bodies both central and local •Weak administrative and financial resources	*Government commitment to decentralisation from 1980s onwards *1986-6 IMP regions *1994 Directly elected prefects/prefecture Councils *Financial dominance of the centre	*Strong central administration with autonomous municipal government *Weak regional tier but reform in the 1990s in anticipation of EU membership *Governmental differences re. role and structures of regional government
Programming	*Executive dominated, sector led but in second programme the emergence of the local *monitoring and evaluation culture	*Drive by the Commission to insist on improved programming ie. reduce the role of the Greek public administration in the system-consultancies *Efficiency	*Executive dominated but new regional institutions created to manage sub-national element
Partnership	* Embedded in public policy in Ireland since the late 1980s at macro level but weak at the regional level. *Very significant at the local level but tension between local government led schemes and voluntary sector schemes	*weak institutional capacity for partnership at regional/local level *Increased non-governmental involvement but dominated by political parties	*Political culture open to partnership and inclusive policy making * New Institutions at the regional level –Regional Management Committees-power to direct development resources but not elected

Opportunity Structures for Voice and Influence

Partnership was a key part of the Commission's evolving model of governance in the cohesion policy area. The scope of partnership in the regulations was widened to include the social partners (1993) and environmental and other NGOs in 1999. The concept looms large in the Commission's idea of governance. In Commission's White Paper on Governance is replete with references to ……….The three old member states display a mixed response to partnership. In Ireland, social partnership has evolved as one of the central features of economic and social governance in the post 1987 period. It began with negotiated agreements between the key social partners on wage bargaining and has gradually evolved to include a wider range of partners, particularly the voluntary sector, and additional areas of public policy. At local level, partnership evolved in EU funded 'area based partnerships' and the Leader programme. There was little evidence of partnership in the elaboration of the first national plan in 1988 but this was changed in subsequent plans. Interest groups and community groups were part of the review bodies that drafted and monitored the operational programmes associated with cohesion policy. Partnership is strong at national and local levels but weaker at regional level because of the weakness of the regional tier of government. A pronounced characteristic of the Irish experience of structural funding was the manner in which it animated local groups in the form of area based partnerships. Following decades of weak economic performance, local community groups in both urban and rural Ireland began to mobilised around local economic development. The key impact of cohesion policy on access to the policy process was to provide space for local groups and to legitimise their participation in local economic development.

In Greece, there was a battle between the demands for democratic engagement and partnership, on the one hand, and the desire to insulate the decision making system from clientalistic politics and a weak administration, on the other. A tension between participation and effectiveness emerged in the Greek politico-administrative system, one that was resolved in favour of efficiency. Prior to the adoption of the second community support framework, the Commission placed considerable demands for reform on the Greek politico-administrative system. The Commission wanted the establishment of structures that were as independent as possible from the mainstream public administration, or at least ones that had transparent procedures and adequate human resources. A number of semi-independent bodies were established with responsibility for aspects of the programming process. The study on Greece concluded that 'centralized programming and management by bodies that retain at least some degree of independence both from public administration and the sub-national authorities is all but a 'necessary evil'. To this end, 'cohesion policy has been shrouded in a technocratic mantle and placed almost exclusively at the hands of experts' (Andreou, 2004, 23).In response to pressures for reform, the Greek system created ad hoc structures in a demi-monde between the public and private sectors to manage the Community Support Framework (CSF). Rather than tackling deficiencies in the politico-administrative system directly, the tendency in Greece is to graft new institutions on to the pre-existing system.

In Finland, Regional Management Committees were established to coordinate the key actors (regional actors, municipalities, state authorities, and social and economic actors) in regional policy. A high level of access and participation is generally characteristic of the Finnish system of public policy making and this policy area is no different. The partnership principle is realised at the level of the RMC. The Committees are neither elected nor do they have executive power. Their central role is to direct development monies within their region. The RMCs were established already in the 1995-99 programming period but did not achieve full legal status until 2000. Partnership was an unproblematic issue in the Finnish political system as it is one of the underlying norms of the domestic political system.

Institution-building and new policy paradigms

Engagement with EU cohesion policy has had a deep impact on the structures, policies and practices of domestic regional/national development policy but contrary to expectations, not necessarily in relation to territorial politics and management. Its strongest impact, particularly in Ireland and Greece and to a lesser extent in Finland, was on policy objectives, style and practice. Its impact was felt in programming, evaluation and the growing demands from the Commission for a strong audit trail. The programming approach and the gradual enhancement of programming requirements placed considerable demands on the domestic institutions of the three member states. The first programming period (1988-92 for Ireland and Greece and 1995-99 for Finland) was a learning period in all three states. All three states approached the learning process in a different manner. Ireland, with its strong core executive and sectoral approach to public policy making, had the institutional capacity to absorb EU funding and to meet Commission accountability demands. The battles about resource allocation were fought out within the Cabinet and between ministries rather than in the political arena. Although under some pressure from the Commission, successive Irish governments did not engage in decentralisation or regionalisation apart from the establishment of cosmetic regions that acted as arenas for the bringing together of public and private actors at sub-national level. The second national development plan (1993-98) contained a chapter on local development, which reflected the growing mobilisation of local actors around issues of community and local development.

Of the three old member states in the study, the Greek politico-administrative system lacked the institutional capacity and the human resources either at central, regional or local level to deliver the kind of programming approach advocated in the Commission model. The emphasis during the first national development programme was on the redistributive aspect of the programme. As the programme progressed, the Commission began to demand enhanced capacity from the Greek Government. The most important demands were transparent procedures, enhanced human resources and an insulation of the system from clientalistic politics. The Ministry of the Economy, in constant negotiations with the Commission about the structural funds, was open to pressure from the Commission concerning improvements in programming and implementation. The lure of EU monies and the institutional requirements that accompanied that money forced the Greek politico-administrative system to come up with solutions within a very short time-frame. The Greek Government opted to solve the problem not by engaging in deep reform of its political and administrative system. Rather it resorted to ad hoc institution-building that operates in a world between the public and private sectors. Superimposed on the Greek administrative system are a number of special structures and supporting mechanisms that assist or even substitute for the public bodies that are nominally in charge of management. Among the new institutions that evolved were, the Management Organisation Unit (MOD), a semi autonomous body operating under private law that was responsible for the 'supply of advice, administrative tools and know-how to the monitoring authorities and the implementation agencies' (Andreou, 2004, 15). The MOD was complemented by a specialised agency for the attraction of private investment, a Joint Steering Committee for Public Works and an Expert Agent for the Quality Control of Infrastructure (Andreou, 2004, 15). Private consultants were used extensively in the parallel structures.

The situation in Finland provides a marked contrast. The debate within Finland concerning regional policy revolved around a 'top down' or 'bottom-up' approach to meso level governance. There were important differences between key political parties on regional policy and structures. Finland continues to have strong central and municipal government with an emerging regional tier. Regional Councils and State Regional Offices were established in response to the need for programming at a sub-national level. In the 2000-2006 programming period, regions were given more power in relation to appropriations. However, it is the State Regional Offices rather than the Regional Councils that determine the deployment of appropriations. Institution building in Finland consisted of establishing a meso-level institutions at the regional level but these institutions are not yet embedded in a stable system of sub-national government.

The New Member States
Territorial politics/management;

Adapting to financial transfers from the EU and the Union's governance model in cohesion policy interacted with systemic change, institution building and preparations for EU membership in the new member states. The impact of the EU on territorial politics and management in the new member states extend from a minimalist impact in Estonia, the emergence of a 'regional' question in Slovenia to a major regionalisation reform project, IDEA, in Hungary. The Estonian constitution (1992) established a single tier local government system (241 units) with power and responsibility located at municipal level. In the 1990s there were a number of failed attempts to reduce the number of municipal authorities but such efforts have brought limited success. Local government in Estonia lacks adequate financial resources to act as strategic actors in their localities. In the debate on local government consolidation, EU membership was deployed in arguments favouring larger local units. Of particular importance was the need to absorb structural funding (Drechsler, 1999). Prefecture like structures, at the level of the county, represent deconcentrated state power at sub-national level. Proposals in 2003 to establish regional level elected councils were discarded as there appears to be little political support for a strong and autonomous regional level. The Estonian system remains highly centralised.

The Slovene system of territorial management was established on the basis of the pre-existing communal system. At the beginning of 1995, the Law on Local Self- Government promulgated in 1994, set up the new post-independence municipalities which numbered 147. Following the enactment of the law a process of fragmented occurred with the result that the number of self-governing municipalities grew to 193. A vacuum developed between the local and national level characterised by the emergence of a powerful centralised state and 'small and powerless communities' at municipal level (Lajh, 2004, 6-7). Notwithstanding strong advocacy for the establishment of regions as politico-administrative entities, this did not happen. It is argued that regionalisation would require amendments to the 1991 Slovene Constitution, although the constitution makes provision for voluntary co-operation between municipalities at the regional level. Regionalisation is bound up with EU programming and the classification of Slovenia for the purposes of EU regional policy. The designation of NUTS II regions is of primary importance as it establishes the unit for the administration of structural funding. In March 2000, the Slovene established two large NUTs II regions covering the whole territory. The purpose of the divide was to ensure that a part of Slovenia would benefit from objective 1 structural spending for the 2007-2013 period. The Commission was not supportive of the divide and in its 2000 Regular Report, it argued that 'it is not clear on which analytical requirements and administrative structures the division into these two statistical units is based' (EU Commission, Regular Report on Slovenia, 2000,)The Commission was unwilling to endorse the two regions approach and agreed that Slovenia would be considered as an objective one region for the 2004-06 period. Hence the discussion on the future regionalisation of Slovenia was shelved until the negotiations on the 2007-13 financial perspective. A further proposal by the Slovene Government to divide the country into three regions is on the table.

Hungary embarked on the most ambitious project to regionalise the state with an emphasis on extensive decentralisation and the creation of strong regions in 2002. The system of local government established after the collapse of communism was highly fragmented (3,200 units) with a weak financial capacity. Above the municipal level, there were counties but no hierarchy between the different levels was established. In January 1991, the office of Commissioners of the Republic was created and eight suvh Commissioners were insterted into the system of territorial management. They represented central government and had the task of coordinating the regional aspect of local self governments. In addition, numerous deconcentrated organs of the central government were created with the purpose of enabling central control of local government. Elections in 1994 led to a reform of the system of local government and the abolition of the Commissioners who were replaced by County Public Administration Officers. Changes in institutional roles and practices did not alleviate the problems in the financing sub-national government.

An 1996 Act was passed to deal with EU led demands for NUTs regions. The regions were statistical planning regions with a role in spatial planning but did not have an elected or executive base. An amendment of the 1996 Act led to the mandatory establishment of seven regions and the institutionalisation of Regional Development Councils. Each Regional Development Council was buttressed by a Regional Development Agency (RDA). In addition, County Regional Development Councils were created to coordinate the plans of the participating counties, which would then feed into a Regional Development Council. The regional and county level lacked the financial resources and qualified staff to carry out their designated task. The Commission in its Regular Reports drew attention to the deficiencies in the system. The system was characterised by territorial fragmentation, a lack of clarity concerning competencies and a weak financial base. In 2002, the Medgyessy Government that took power in 2002, launched the IDEA (Integration, Decentralisation, European Union and Autonomy) project with the aim of creating strong directly elected regions with a transfer of competencies and financial resources from the centre to the region. This ambitious reform project requires constitutional change and hence the support of the opposition. To date this has not been forthcoming and as a consequence the regional reforms achieved by the IDEA project are limited.

Preparations for European structural funds were directed by the central governments of the three candidate states. All were cognoscent of the Commission's demands for partnership. In all three states, there was an attempt to introduce the partnership principle into the drafting of the National Development Fund (NDP). However, central governments were the dominant actors in all three states. In Estonia, a list of interested parties was drafted an all were contacted, notably, professional associations, foundations and third sector organisations. Seminars were held during the elaboration of the programm and a draft of the NDP was made available to the social partners. However, there was little public discussion in the media or among the political parties. The parliament played a very limited role and it could be argued that 'the European Commission was better informed about the process and contents of the NDP than the Riigikogu' (Kallas, 2002, 22). Moroeover, the best advocates of certain sectoral policies in the NDP were the respective sectoral ministries not the political parties or interest groups (Kallas, 2002, 22).

The central control over sub-national government limited the exercise of the partnership principle in Hungary in the 1990s. However, with the political decision to engage in deep regionalisation, a separate office was created in the National Development Office with responsibility for partnership, information and communication. This reflected a desire on the part of the government to deepen and widen the use of the partnership principle. Very extensive consultation was carried out with civil society groups and sub-national government. The operation of the partnership principle went hand in hand with a general information campaign about the NDP in Hungary, which involved 100 events across Hungary. The process of partnership, communication and consultation emanated from the centre.

Institution building and new policy paradigms

All three new member states had to establish structures and processes for managing the planning and execution of a national development plan. The institutions were put in place in the 1990s as pre-accession aid was directed towards preparing for membership. Institution building characterised the Hungarian and Slovene preparations but in Estonia there was a decision to rely on existing public institutions rather than to contract out the work to private and third sector institutions. In both Slovenia and Hungary, the system for managing the NDP radiates out from the Prime Minister's Office whereas the Ministry of Finance is the dominant actor in Estonia. In Slovenia a very elaborate system was established with the creation of an Office for Structural Policy and Regional Development, a Council for Structural Policy and an National Agency for Regional

Development. Hence there is strong core executive engagement with the management of the structural funds. Likewise in the other two states, the core executive is the dominant actor actor but the structures are less elaborate. See Table 2

Member State	**Slovenia**	**Hungary**	**Estonia**
Core Executive	PMs Office Government Office for Structural Policy and Regional Development (2003) from Economics Ministry Minister without Portfolio Council of Structural Policy National Agency for Regional Development	PM's Office Managing Authority National Development Office Ministries responsible as MAs for Individual Ops	Ministry of Finance 2 Working groups
Intermediate Bodies		24 entities received accreditation	
Paying Authority	National Fund (Ministry for Finance)	Finance Ministry	
Regional Level	12 Regional Development Agencies	7 Regional Development Agencies were designated as IBs	
Number of OPs	5 OPs	5 Ops	5 Ops
Sectoral OPs	4 Sectoral Productive Sector and Competitiveness Human Resources Information Society, Infrastructure Restructuring Agriculture and Rural Development	4 Sectoral Economic Competitiveness Human Resources Agriculture and Rural Development Environmental Protection and Infrastructure	4 Sectoral and one technical Assistance Human Resource Competitiveness and Enterprises Rural Development and Agriculture Infrastructure and Local Development Technical Assistance
Regional OPs	Strengthening Balanced Regional Development	1 Regional OP	None

CONCLUSIONS

The findings of this research highlight the need for a re-assessment of the multilevel governance approach to EU regional policy. There is evidence of multi-level governance but the key relationship in this multi-level system is the relationship between the domestic core executive and the Commission. The key negotiations concerning the national development plan and its implementation take place within the domestic core executives and with the Commission. The key domestic drivers of EU cohesion policy are the domestic core executives. That said, the Union's principles of cohesion governance have had an important impact at domestic level. The partnership principle and the availability of EU monies have served to mobilise sub-national actors in the search for voice and influence over the dispersal of European monies. Cohesion policy opened up the domestic political space but there is little evidence that it had a decisive influence on territorial management. It was one of many influences that impacted on the evolution of territorial management. Party politics rather than EU led change characterised attempts to reform sub-national territorial management in Greece. The uneven process of regionalisation in Greece was driven by Pasok in power. Although the high level of centralisation that characterised the Greek state was ameliorated somewhat financial and budgetary processes remained in the hands of central government. In Finland, the introduction of a regional tier albeit without a directly elected mandate was influenced by EU membership but internal party politics dominated the debate. The absence of agreement on the model for regional institutions between two major parties has meant that the Finnish system was subject to periodic ad hoc reforms and is not as yet a stable system. The Irish core executive resisted Commission pressure for changes in territorial management. Statistical regions were established without executive power in 1989. The division of the country into two regions in 2000 was a deliberate attempt to ensure that part of the country continued to benefit from Objective one status in the 2000-2006 programming period. Local rather than regional mobilisation was much more significant in Ireland.

In the three new member states, there is a varied pattern in terms of sub-national adjustment. Estonia resisted pressures for the creation of a regional tier and has established a Finance Ministry system, not unlike the Irish system in its formative period. In Slovenia, there is considerable debate and disagreement on the question of regional government. Regional Development Authorities were established but without an electoral mandate. The key issue for Slovenia concerns NUTs II status; the Commission did not accept it division into two regions and the question will be a major negotiating issue during the negoations on the next financial perspective. In Hungary, the launch of the IDEA project was a major commitment to regionalisation and the creation of strong regions with legislative and budgetary autonomy. The absence of opposition agreement has meant that this ambitious project is stalled although there has been a decentralisation of limited power.

The Union's programming process has arguably left a more pervasive imprint on the six states than partnership and regionalisation. The demands for the creation of a series of roles-managing authority, payment authority and elaborate monitoring mechanisms has been translated into all six domestic systems. National development plans followed a pre-determined formula of preparation, consultation, implementation and evaluation. All are characterised by objectives, operation programmes and measures. There is a marked similarity in the sectoral and spatial objectives that receive funding. What emerges clearly from the research is that the Commission if there is a trade-off between efficiency and partnership will opt for efficiency. This was clearly the case in Greece where the Commission demanded the creation of new institutional mechanisms to improve the implementation of the operational programme.

REFERENCES

Börzel T.A. (2002), *States and Regions in the European Union* (Cambridge: Cambridge University Press).

Börzel T.A. and Risse T. (2000), 'When Europe Hits Home: Europeanization and Domestic Change', *European Integration Online Papers (EioP), 4/15:* eiop.or.at/eiop/texte/d000-015a.htm.

Commission of the European Communities. Various Years. Regular Reports on Estonia, Hungary and Slovenia. See http://europa.eu.int/comm/enlargement/docs/index.htm

Goetz, K.H. and S. Hix (2001), *Europeanised Politics? European Integration and National Political System* (London: Frank Cass).

Hooghe L. and Marks G. (2001), *Multi-Level Governance and European Integration* (Boulder: Rowman and Littlefield).

Knill C. (2001), *The Europeanisation of National Administrations* (Cambridge: Cambridge University Press).

Laffan B. (1997), *The Finances of the Union* (London: Macmillan).

Marks G., Scharpf F.W., Schmitter P.C. and Streeck W. (1996). *Governance in the European Union* (London: Sage).

Mitchell, J. and McAleavey, P. (1994), 'Industrial Regions and Lobbying in the structural fund reform process', *Journal of Common Market Studies,* 32/2: 237-48.

Mitchell, J. and McAleavey, P. (1999), 'Promoting Solidarity and Cohesion', in L. Cram, D. Dinan and N. Nugent (eds.), *Developments in the European Union* (London: Macmillan), 174-192.

Peterson J. and Bomberg E. (1999), *Decision Making in the European Union* (London: Macmillan).

Puchala D. (1972), 'Of Blind Men Elephants and International Integration', *Journal of Common Market Studies*, ?:267-84.

Rhodes R.A.W., (1981), *Control and Power in Central-Local Government Relationships* (Farnborough: Gower).

Scharpf, Fritz. (2000), 'Notes Toward a Theory of Multilevel Governing in Europe'. MPIfG Discussion Paper 00/5.

Scharpf, Fritz (2001), 'What Have We Learned? Problem-Solving Capacity of the Multilevel European Polity', *MPIfG Working Paper* 1/4, July.

WRR, (2001), *Towards a Pan-European Union* Report No. 59, The Hague: Scientific Council for Government Policy.