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European Union Power and Regional Involvement A Case Study of the Political Implications of the Reform of the Structural Funds for Ireland*

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The Reform of the Structural Funds process in Ireland, has the potential over time, to curtail the power of the national central public authorities, while increasing the political effectiveness of other actors. This policy process comprises a chain of collective decision making processes around important issues. These issues belong to different policy arenas, called the national and sub-national policy arenas. The policy outcomes in the different arenas are determined by the interplay of stakeholders with varying capabilities, policy preferences and saliences. Sub-national level actors in Ireland, have become more effective over time in the sub-national policy arena, but remain excluded from the national policy arena. However, the European Commission Directorate General XVI for Regional policy has emerged over time, as the most central actor in both arenas.

In 1988, the Reform of the Structural Funds of the European Union introduced new political structures, where one of the main objectives was to encourage participation of a much broader range of actors in the decision making process. In the present research, we limit our analysis to just one Member state, Ireland. As Ireland is a centralized, unitary state with a centralized semi-corporatist bargaining structure, we investigate how the Structural Funds Reform has been applied in this Member state. Did the Reform and to what degree, shift power away from Ireland's traditional national centralised elite over two time periods corresponding to the two rounds of Structural Funds: 1988–1993 and 1994–1999? If so we want to know whether this has resulted in an increased involvement of a broader range of actors from the national and European union levels as well as the sub-national levels in Ireland, and under which conditions this occurred.

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In the context of examining the political impact of the Reform of the Structural Funds, probably the most interesting theoretical development for understanding this policy process, is the concept of a multi-level governance (Marks, 1992; Hooghe and Keating, 1994; Hooghe, 1996). Marks argues «the point of departure of this multilevel governance (MLG) approach is the existence of overlapping competencies among multiple levels of governments ... states are not an exclusive link between domestic politics and intergovernmental bargaining in the EU» (Marks et al, 1996). Despite a growing literature in this area, the analytical measurement method for multi-level governance remains fuzzy, the concept being generally applied in a metaphorical sense. For example, in a recent study, it is proposed that we can examine the nature of multi-level governance in the Structural Funds policy area, by examining the varying success rates of Sub-national governments from different Member states, to establish regional offices in Brussels (Marks et al, 1996). Yet it is unclear why we should assume that sub-national governments, that have a physical presence in Brussels, necessarily have a level of political influence while those others, without a representative office in Brussels, must not. Moreover, since Commission officials travel regularly to Member states and regions to meet with the different levels of political interests, during the course of the implementation of the Structural Funds, it is even less obvious why physical location is a relevant indicator of political influence.

In this research, we adopt a more rigorous, theoretical approach to explore this concept of an emergent multi-level governance structure under the Reform of the Structural Funds. We argue that the key to understanding the impact of the Structural Funds Reform does not lie in a description of the policy developments over time. Instead we focus on the dynamics underlying the process of the Reform: its collective decision making process. In this chapter, we shall examine a number of policy decisions taken over the period 1988 to 1995 by the European Commission, concerning the allocation of Structural Funds in the Member state of Ireland. In the theoretical approach chosen, we will not assume that the European Commission and the Irish Member state stakeholders act as unified, single actors. Within the European Commission for example, we can differentiate between Directorates General and within the Irish Member state, between different Government Departments at the national level and between the national and sub-national levels of political influence. The policy process is perceived as a chain of collective decision making processes around important issues. In such processes, outcomes are determined by the interplay of stakeholders with varying capabilities, preferences and saliences

to shape the policy outcome. These stakeholders are willing to mobilize their capabilities, only if the issues are of sufficient interest to them and if their preferred outcome deviates from the one expected. This approach stresses the potential internal conflicts between actors of different levels, rather than presuming their unity.

Our research has identified two arenas of collective decision-making for the Structural Funds in the Member State of Ireland, the *arena of national policy making* and the *arena of sub-national policy making*. These policy arenas are distinguished by a number of institutional characteristics, following from the Reform of the Structural Funds Regulations as well as existing domestic financial commitments. We shall develop this discussion by examining how these different arena characteristics lead to the constraints under which sub-national actors enjoy more or less autonomy in the expression of their territorial preferences. This discussion generates two main hypotheses. The first and most central hypothesis is that the sub-national arena is the only arena where sub-national actors are involved in the policy process. An actor's level of political involvement may be different from other actors and may change over time. It reflects how effective the actor is in influencing other actors, so that the collective decision outcomes are as close as possible to that actor's policy preferences. We call an actor's level of involvement the *effective power of the actor* in that arena. A second hypothesis is that the sub-national arena is characterized by wider differences between the policy preferences of the national level actors, than is the case for the national policy arena. In order to measure the level of effective power of the different actors, as well as what degree of internal conflict of policy preferences there existed within groups of actors, we apply a quantitative collective decision making modelling approach (Stokman and Van Oosten, 1994; Bueno de Mesquita and Stokman, 1994).

1. The Reform of the Structural Funds and the Member state of Ireland: nationally oriented oriented and sub-nationally oriented policy making

Under the Reform Regulations, effective regional development requires a functional-based policy response, rather than national sectorially led policies whose effects would trickle down to the regions (CEC, 1989). Examples of the Reform approach may be found in the calls for the functional co-ordination of industrial policy and labour market policies or appro-

priate infrastructural policy to complement policy for the tourism sector (CEC, 1989a). The Reform establishes a form of regional development policy that seeks to shift the emphasis away from large scale infrastructural spending in favour of local-development oriented operations such as training, technical assistance and direct investment in local business. In this regard, functional co-ordination requires both vertical and horizontal co-ordination and these two forms of co-ordination are related. Under the Reform, different sectorial interests, based at the regional level, were to be encouraged to work together for the benefit of their region. National sectorial Government Departments would facilitate this process by they themselves co-ordinating their policy objectives (Matthews, 1994). In the absence of a strong regional government structure (as was the case with Ireland, as well as Portugal and Greece in 1988), the importance of horizontal co-ordination across sectorial interests at the national level would become even more important, for motivating regional mobilization. In order to achieve this functional co-ordination, the Reform of the Structural Funds has introduced some new forms of administrative organization, which sought much greater institutional co-operation and coherence across the three separate Directorates General responsible for the three Structural Funds, the European Regional Development, the European Social Fund and the European Agricultural Guidance Fund. This requirement also obliges individual Irish Government Departments and their semi-state agencies, traditionally oriented towards distinct separate and sectorial policy interests, to co-ordinate their Structural Funds policy planning. This means that they would be required to widen their policy targets both horizontally to incorporate other sectorial interests and vertically to incorporate European union level and sub-national, territorial perspectives.

The Reform of the Structural Funds process is perceived as a series of collective decisions outcomes over time. «Collective outcomes cannot be explained without reference to the choices made by the actors in the relevant social system» (Bueno de Mesquita and Stokman, 1994). The range of the choice open to the actor is conditioned by the institutional characteristics of the social system. In Ireland, there are two arenas of collective decision making for the Structural Funds, the arena of nationally oriented policy making and the arena of sub-nationally oriented policy making. These arenas are distinguished by a number of institutional characteristics (see Table 1). First, the Reform of the Structural Funds stipulated a number of policy guidelines, including the use of Partnership, Programming and Funds Objectives, which are intended to strengthen the diffe-

rent forms of actor co-ordination in the collective decision making process (CEC, 1989). Second, there are formal funding arrangements under the Reform Regulations, which enable the specific targeting of a proportion of the Funds towards the sub-national actors in the Member state. Third, at the national level, there are a number of existing domestic financial commitments, which constrain the organization of actors in Ireland (Chubb, 1993).

1.1 The National policy arena for Structural Funds in Ireland

Before the Reform, a Member State would negotiate with the Commission a number of project grants. Project grants were straightforward financial transfers to Member states for individual policy measures. The allocation of the project grants involved periodic sets of negotiations, often on an annual basis, between the responsible Directorate General and, in the case of the Member state of Ireland, the Irish Department of Finance. The project grants were financed from one of three separate sources, the European Regional Development Fund (ERDF), the European Social Fund (ESF) or the European Agricultural Guidance Fund (EAGGF). The various responsible Directorates General of the European Commission made no real attempt to co-ordinate the allocation of these three different Funds as part of an overall strategy for socio-economic development in the Member State (Lowe, 1988). At the Member state level, before the Reform, the vast majority of all Irish public policy making was carried out at the national central level. Each of the Government departments were responsible for their own particular sectors of public policy, which were generally administered on a nationwide basis. Traditionally, the level of co-ordinated action between the central government departments, including various other Irish public authorities, was very weak (Chubb, 1993). Although in 1988, a number of Irish government departments had regional offices, these served an administrative purpose only. Moreover, each Government Department used their own particular set of regional boundaries, with generally very little overlap between these different sets. At the sub-national county and local levels in Ireland, the responsibilities of local level government and administration were very minimal compared to those of most other European countries (Hart, 1984).

Table 1: Characteristics of the National and Sub-national Structural Funds Policy Arenas in Ireland

Characteristics	National policy arena	Sub-national policy arena
1.1 Forms of Actor Co-Ordination	Horizontal	Vertical
1.2 Types of Funding Arrangements	Sectorially Targeted funding	Territorially Targeted funding
1.3 Existing Domestic Financial Commitments	Existing financial commitments are relatively large and transactions costs to co-ordinate with new sub-national actors are high.	Existing financial commitments are relatively small and transactions costs to co-ordinate with sub-national actors will be relatively low.

The Reform of the Structural Funds in 1988 introduced the use of Programming and Fund Objectives as mechanisms for strengthening sub-national involvement, through encouraging central Irish Government departments to co-ordinate across their sectorial policy interests. Till the Reform, the allocation of monies from the Funds to Ireland was viewed essentially as a separate exercise to policy planning for the expenditure of these monies. However, after the Reform, the amount of funding drawn down by the national public authorities was to be linked with its planned expenditure within the Member state. As a result, an array of actors not previously concerned about these negotiations with the European Commission, might now seek involvement in the Structural Funds policy process. In particular, the Reform Regulations reflected the argument that a lack of horizontal, sectorial co-ordination between public authorities at a national level of a member state, for example, Ireland, provided little incentive for its sub-national actors, within a region or local community to come together to co-ordinate and represent their (territorial) interests at the national and European Union levels (Leonardi, 1994). The Reform Regulations called for increased *horizontal co-ordination of sectorial interests*, for example those of Irish Government departments so as to enhance the possibilities for more effective involvement of sub-national actors in the Structural Funds policy process over time (see Table 1, Section 1.1; National policy arena). A second distinguishing characteristic of the national policy arena is the use of *sectorially targeted Structural Funds*. Under the Council of Ministers Regulations, we can distinguish between two general types of funding distribution, *sectorially targeted* funding and *territorially targeted* funding, in terms of the stringency with which they require the Member state government to target sub-national actors (see Table 1, Section 1.2). The respective importance of these two types of fun-

ding lies in the potential they hold out for using Structural Funds to finance local indigenous development schemes, as opposed to the traditional large scale sectorially oriented programmes that characterized funding under the pre-Reform era. The rules governing the kind of funding distribution under sectorially targeted Structural Funds do not specifically require the Member State government to target sub-national actors. However by encouraging horizontal co-ordination across sectorial policy interests, the aim is to motivate national sectorial actors and sub-national actors to co-ordinate their interests.

Along with the institutional constraints imposed by Reform Regulations, there are also a set of *existing domestic financial budgetary commitments* which limit the range of choices for expenditure in either of the two arenas. Let us consider the budget of a public authority, such as a national Government Department. Its budget may be split up into three types of expenditure: the core expenditure which is to finance the internal costs and which is directly controlled by the authority's own decisions; the program expenditure of the public authority concerns the funding which it allocates to other departments or subordinates (semi-state bodies) and private interests, and over which it has direct supervision¹; the superprogram expenditure is money which the public authority is responsible for, but over which it has little direct supervision. The superprogram expenditure may cover financial allocations from national authorities to sub-national, territorial-based actors, including local government (Dunleavy, 1991). A public authority actor whose overall budget consists primarily of core and program expenditure, will be involved in supervising large scale, long-term, discretionary financial transfers to other actors, in both the private and public sectors. In order for actors involved in these kinds of transfers, to reach agreement, they are usually required to make «transactions-specific investments» – for example money, time and expert knowledge. Given the potentially high risk of transactions costs associated with these type of economic transfers, they are usually organized in hierarchical institutionalized structures, for example, national level corporatist agreements between national government and the most powerful private interests in the economy (Williamson, 1975). The organizational form associated with core and program expenditure ensures that public authorities can deal effectively with sectorially organized corporate «clients», such as powerful farmers' organizations and large scale business interests.

¹ Dunleavy has defined two separate categories («bureau» and «program») to describe this type of expenditure. Here, we have combined these two categories into a single category, which we refer to as *program expenditure*.

These are the traditional recipients of the contracts and transfers; they are relatively few in number and are able to organise a flowback of benefits in return for officials exercising patronage on their behalf (Dunleavy, 1991).

In Ireland, at the time of the Reform in 1988, there were a number of national public authorities for the most part central Government departments who, until then, had responsibility for the expenditure of European Union funds and who were likely to continue this role for the Structural Funds expenditure. Traditionally, these Government Departments had overall budgets which were balanced in favour of core and program expenditure, and very limited with respect to superprogram expenditure. The Irish Department of Finance is a typical example here. Moreover, at the Irish domestic level of policy making, stable tripartite institutionalized structure of bargaining and concertation continued to ensure that the Irish government administration and the most powerful private socio economic interests in Ireland, could agree on long term plans of economic development (Chubb, 1993; Breen et al. 1990). In this research, we argue that all the conditions were in place whereby we expect that the majority of national public authorities in the national policy arena will have a stronger incentive to seek to maximize their core and program expenditure rather than their superprogram expenditure and to preserve the existing traditional balance of national interests, across which the various national domestic agreements had been struck.

2. The Sub-National Policy Arena of Structural Funds in Ireland

The organisation of expenditure under the Reform allows for some funding to be specifically directed towards locally based development action. To be eligible for this type of funding, local actors representing different sectorial and community interests must come together and establish local groups. These groups are asked to develop local development plans which represent the variety of economic and social interests of their areas. If selected, these groups can decide amongst themselves on the allocation of funding in their local areas. However, the Reform argues, their work also brings them into contact with the national level sectorally oriented actors and in particular, Government departments. Moreover, the overall expenditure of Structural Funds in this arena, must be administered by one or more Government departments, at the national level. The Reform argues that for all the actors involved in this process, the possibility of increasing

