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Abstract

This paper aims to analyze the current arrangement over the European Regional Policy, notably investigating to its *economic* and *political* rationale. Starting from an historic perspective, the analysis will meet the key economic policy factors which shaped the 2007-2013 Framework Program (Section 1). Next, the paper will identify the main *pro* and *contra* argumentations on the current EU Regional Policy, both in terms of economic efficiency and political implications (Section 2). A closing reflection will concern the capacity of the European Regional Policy to represent a “European-level instrument”, whose acceleration might enable regional economies to face the 2008 financial crisis and economic recession.

Keywords

European Regional Policy, territorial cohesion, economic convergence

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SUMMARY: 1. Introduction 2. Explicative factors of the current European Regional Policy: economic theory principles and empirical problems 3. The extent and the limits of the current European Regional Policy 3.1 *Convergence, visibility and governance reforms: the accomplishments of the European funding* 3.2. *"National convergence, local divergence": a structural deficiency of the European Regional Policy (exacerbated in times of crisis)?* 4. Conclusions

1. Introduction

This paper aims to analyze the existing configuration of the European Regional Policy, by addressing a crucial question : to which extent does the current arrangement over the Structural Funds meet its *economic* and *political* rationale?

Starting from an historic perspective, the analysis will meet the key economic policy factors which shaped the 2007-2013 Framework Program (Section 1). Next, the paper will identify the main *pro* and *contra* argumentations on the current EU Regional Policy, both in terms of economic efficiency and political implications (Section 2). A closing reflection will concern the capacity of the European Regional Policy to represent a "European-level instrument", whose acceleration might enable regional economies to face the 2008 financial crisis and economic recession.

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2.Explicative factors of The current European Regional Policy: Integrationist Principles and Empirical Problems

The philosophy of the European economic integration has consistently been characterized by a profound attachment to territorial cohesion, embodied in the basic objective of equal income standards among the European member states and regions. Intimately connected to the specificity of the European Social Model[2], the European Regional Policy can been framed in the specific trade-off logic occurring between market liberalization and social protection at every stage of the European integration process. This is why the emergence of the European Regional Policy cannot be understood outside the historical context of the Single Market Programme, linked to the propulsive role of the Delors Commission. What is more, the actual configuration of the regional cohesion policy can only be analyzed as the result of successive stratifications and explicative factors.

The first arrangement over the European Structural Funds was in fact conceived to face both the imbalances of the Southern enlargement (for which the Cohesion Fund was appropriately created) and the imbalances of the industrial restructuration imposed by the Single Market.

Some key factors, such as the planned enlargement of 2004, the launching of the Lisbon Strategy in 2000, the first critical evaluations after a decade of relatively successful perceptions, fundamentally affected the debate over of the 2007-1013 European Regional Policy.

Firstly, the current arrangement of the European Structural Funds had to be coherently included in the broader European Strategy for Growth and Jobs[3], enhancing the overall consistency of the European efforts to develop a competitive "knowledge economy" and to valorize the innovation-capacity at the sub-national level. The regional dimension has in fact represented a specific target of both Lisbon Strategy and the EU Cohesion policy, given the vitality of "regional clusters" in terms of innovation and economic dynamism[4].

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[2] On the heuristic value of the concept of European Social Model, see SCHARPF F., "The European Social Model: Coping with the Challenges of Diversity", MPIfG Working Paper 02/8, July 2002, at http://www.mpi-fg-koeln.mpg.de/pu/workpap/wp02-8/wp02-8.html. On the importance of the notion of the European Social Model as a tool of regional "identity-building", see TELO' M., *Europe: a Civilian Power?*, Palgrave, London, 2006, c. 3 and RODRIGUES J.M., *L'Europe: quel modèle économique et social?*, Paris, Cultures France, 2008.

[3] RODRIGUES M.J (ed.), *Europe, globalization and the Lisbon Agenda*, Cheltenam, Edward Elgar, 2009.

[4] See OECD, *Regional Innovation Reviews,* "Competitive Regional Cluster: National Policy Approaches", OECD policy Reports, 2007, http://www.oecd.org/dataoecd/54/1/38678653.pdf, COOKE P. (ed.), *Creative cities, cultural clusters and local economic development*, Cheltenham, Edward Elgar, 2008.

Secondly, the 2004 enlargement to Central and Eastern European Countries (CEECs) posed a major concern to the budgetary process of 2006. As a matter of fact, the form of the European Structural Funds changed with every enlargement, which confirms the flexibility of the European Regional Policy as part of broader “package dealing” providing distributive adjustments to the sacrifices necessary to complete the *acquis communautaire*[5]. In particular, notwithstanding the resistances of net-payers, the 2006 budgetary round negotiations were almost monopolized, namely by the Luxemburg rotating Presidency, by the income imbalance due to the enlargement process (as a matter of fact, while most Member States had an income of 80-120% of the EU average, the gap between the well-known “banana” stretching from Northern Italy to England and the New Member States was still a question of concern).

Thirdly, the first critical perspectives, notably in terms of micro-economic analysis, started to overshadow the narrative of the European Regional Policy as a successful European-level instrument to deal with territorial cohesion. In particular, the 2004 Rapport Sapir set up the first comprehensive iconoclastic critics to the European Regional Policy, by calling for a partial renationalization of Structural Funds. In Sapir’s words, “Convergence has occurred both at the level of Member States and at that of the macro regions. At a more disaggregated regional level, however, the evidence is less clear cut. Efforts by the EU through the structural funds and the cohesion fund to promote convergence can only be a complement to other factors. They must be accompanied by national policies to put in place a favorable environment for investment and for human capital formation[6]”.

This is why the 2007-2013 European Regional Policy has been specifically designed to handle the inevitable “shift” of Structural Funds to the CEECs and the critics in terms of efficiency, by reducing the often mentioned “congestion of objectives”. The new “Convergence Objective” applies to the regions whose per capita GDP is less than 75% of the EU average and is intended to maintain the European commitment to territorial solidarity and cohesion; the new “Regional Competitiveness and Employment Objective” is thought to enhance a more coherent approach to regional dynamism, in particular for innovation and research[7]. Another decisive aspect of the current European Regional Policy concerns its contribution to enhance an innovative system of governance, bringing together the basic

[5] See BUKOVA I., “Englargement and the implications for the structural funds”, in GOWER J. (ed), Enlaerging the European Union. The Way Forward, Aldershot, Ashgate, 2000.
[6] http://www.euractiv.com/ndbtext/innovation/sapirreport.pdf.
[7] http://ec.europa.eu/regional_policy/index_it.htm.

principles of *strategic programming*, *concentration*, *additionality* and *partnership*. The next section will thus outline the extent and the limits of such an ambitious configuration.

3.The extent and the limits of the current European Regional Policy

3.1. Convergence, visibility and governance reforms: accomplishments of the European funding

After 20 years of implementation of the European Regional Policy, any impact analysis on the overall "convergence effects" should properly examine its initial rationale. Quite interestingly, in 1989 no significant results were expected from the EU Cohesion Policy. As Robert Leonardi has put it, "during the last decade and a half, not only have the peripheral and less-developed regions and countries not fallen behind the developed countries of the core, but also they have grown at faster rates than the core areas[8]".

As a matter of fact, the European Regional Policy helped to decrease the economic disparities between core and peripheral areas. More precisely, the Structural Funds "have been a driving force in the process of growth and economic convergence in the countries and regions which are the principal beneficiaries[9]". Often mentioned among the most successful paradigms, the cases of Spain, Greece and Portugal present a GDP growth expressed in PPS until the 81% of the community average in 2001. Even more strikingly, "Ireland had seen its GDP per head practically double during the same period, from 64% in 1988 to 117% in 2001[10]". In a more political perspective, for the less-developed countries that have recently joined the EU the real attraction was not limited to full access to the Single Market, but it was more consistently linked to the participation in the Cohesion Policy.

A more ethereal but equally important consequence of the European Regional Policy resides in its specific contribution to make the European Union more visible and "useful" to citizens. Although such a "visibility effect" remains highly difficult to be quantitatively caught, there is increasing empirical evidence that, within the beneficiary regions support for European

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[8] LEONARDI Robert, Cohesion in the European Union Regional Studies, Volume 40, Issue 2, April 2006 , pp. 155 – 166.
[9] http://ec.europa.eu/regional_policy/themes/finper/impact_national_en.pdf.
[10] *Ibidem*.

integration has grown[11]. As the European Commission Report has put it, "citizens who perceive an improvement in their quality of life – for example in more efficient public transport or a better natural environment – acquire a more accurate view of community action", and more importantly of the European "added value" of redistributive policies[12].

Moreover, the long-term approach to strategic programming, and its linkage to the Lisbon Agenda, have been consistently identified as a source of rigor and economic stability of national public management[13] (in particular, the current national practices of Structural Funds management is considered to have successfully passed the stages of *National Strategic Reference Framework* and *Operational Plans*). The principles of concentration and additionality have also played a significant role in reducing uncertainty to economic operators in weak regional contexts, namely in case of large infrastructural investment, requiring a significant level of economic resources.

3.2. "National convergence, local divergence": a structural deficiency of the European Regional Policy (exacerbated in times of crisis)?

A large economic literature traditionally emphasized the role of the European Regional Policy in reducing income disparities notably[14]. In particular, there has been an increasingly widespread perception that convergence in terms of long-term GDP evolution has been marked up by the effective implementation of the Structural Funds. However, as Daniel Tarschys has put it[15], "this rapprochement has ground to a halt […] and differences *within* national borders continue to widen [emphasis added]". A formula often used to describe the effects of structural funds is thus "national convergence, local divergence[16]".

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[11] http://ec.europa.eu/public_opinion/archives/eb/eb44/chap2_en.htm.

[12] See MAIRATE A., "The 'added value' of European Union Cohesion policy", in *Regional Studies*, Volume 40, Issue 2 April 2006 , pages 167 – 177.

[13] EUROPEAN COMMISSION, *Cohesion policy in support of growth and jobs : community strategic guidelines 2007-13*, Luxembourg , Office for Official Publications of the European Communities, 2006.

[14] See in particular MARTIN P, "Regional Policy and Regional Inequalities", in JOUEN M. (ed.), *How to enhance economic and social cohesion in Europe after 2006?*, Bruxelles, Notre Europe, 2001. And ESPOSTI R. and BUSSOLETTI S., "Impact of Objective 1 Funds on Regional Growth Convergence in the European Union: A Panel-data Approach" in *Regional Studies*, Volume 42, Issue 2 March 2008 , pages 159 – 173.

[15] TARSCHYS Daniel, *Reinventing Cohesion. The Future of European Structural Policy*, Swedish Institute for European Policy Studies, Report n. 17/2003, Stockholm, p. 40.

[16] *Ibidem*, p. 41.

What is more, according to Esposti and Bussoletti panel-data approach[17], growth convergence is influenced by the policy treatment, which inevitably interacts with other regional structural variables. It is thus difficult to isolate the effect of the European-level management in order to assess the impact of Objective 1 funds on weak regional economic contexts.

With reference to the principle of concentration, empirical analysis shows that, due to either political balance or erroneous assumptions on the allocation of the funds, there is a weak association between socio-economic advantages and European Union funding. Corrections in allocation mechanisms remain thus essential to increase concentration and allocate resources more adequately to disadvantaged regions. Concerning the principle of partnership, contrasting perspectives have been outlined by political and economic studies. On the one hand, the principle of partnership has widened even beyond the provisions of the European Regional Policy, by producing "a strong added value in terms of better targeting of interventions on regional needs, greater participation of the partners, stimulation of development projects and the exchange of information and experience[18]".

However, as Nicolas Levrat has pointed out[19], the reinforcement of the principle of subsidiarity has paradoxically weakened the implementation of national-local partnerships, by recalibrating the Union's redistributive efforts to the national level, thus enhancing the dynamics described in terms of "national convergence, local divergence".

A more recent difficult of the European Regional Policy concerns its capacity to represent a veritable European-level instrument to face the 2008 financial crisis. Above all, accelerating the implementation phase of the Structural Funds (already at the *Call for tenders* stage) could constitute a precious stimulus to economic recovery, namely in the most affected contexts of CEECs. However, the circulation of the best practices in the governance of the Structural Funds is not yet sufficient to assure an acceleration of the Structural Funds without prejudice to the valorization of local authorities. The risks of re-centralization and re-nationalization of the European Regional Policy is all but remote.

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[17] ESPOSTI R. and BUSSOLETTI S., "Impact of Objective 1 Funds on Regional Growth Convergence in the European Union: A Panel-data Approach" in *Regional Studies*, Volume 42, Issue 2 March 2008 , pages 159 – 173.
[18] London School of Economics, *The economic impact of the Cohesion Fund,* Report to the EU Commission, 2000.
[19] LEVRAT N., *L'Europe et ses collectivités territoriales*, PIE Peter Lang, Bruxelles, 2005

4. Conclusions

The 2007-2013 European Regional Policy has overall confirmed the successful *acquis* of the past Framework Programs, and this notwithstanding the harsh budgetary debate of 2005/2006 and the 2008 financial and economic crisis. The European Cohesion Policy might thus constitute an important European-level instrument to enhance a *status quo plus* integration stage at the end of the most serious crisis after 1929. In relation to other European-level economic policy options, such as the Eurobonds, the acceleration of the Structural Funds would present the advantage of an accumulated past institutional practices, notably in terms of convergence, visibility and governance reinforcement.

However, the most long-standing concerns overshadowing the positive effects of the current European Regional Policy are not linked to the contingent crisis, reside in the "national convergence, local divergence" trend. From being overcome, the risks of re-centralizing the Structural Funds management could in the long term hinder any perceived European "added value" over GDP within the EU. This would affect the future of a policy which remains an irreplaceable cornerstone of convergence, territorial cohesion and identity-building in the overall European regional polity.