The Implementational Analysis of EU Structural Funds: Case Studies of Cohesion Countries

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This publication provides and analyses the European Union Structural Funds impact on the disparity the Irelands and Greece, Spain and Portugal. As my assumption is that Structural Funds were not enough acceptably put to use, thus this article provides the actual results observed in an attempt to prove this supposition by explaining the major examples of Ireland's recent economic growth. The Irish experience and comparative analysis of Greece, Spain and Portugal cases is used as a model of successful use of structural funding. Despite its limitations, Ireland economic convergence is compared with the other Cohesion countries during the 1988, 1993 and 1999 reforms.

Keywords*: European Union Structural Funds, Cohesion policy, National development Plan, Regional Development Plan, Community Support Framework, Operations Programmes, Community Support Framework, Community Initiatives.*

Pagrindinės sąvokos*: ES Regioninė politika, ES Struktūriniai fondai, Sanglaudos fondas, ES Bendrijos iniciatyvos, Bendrasis programavimo dokumentas, nacionalinė regioninė politika bei nacionalinės programos.*

1. The EU Structural Funds and Ireland's Recent Economic Growth

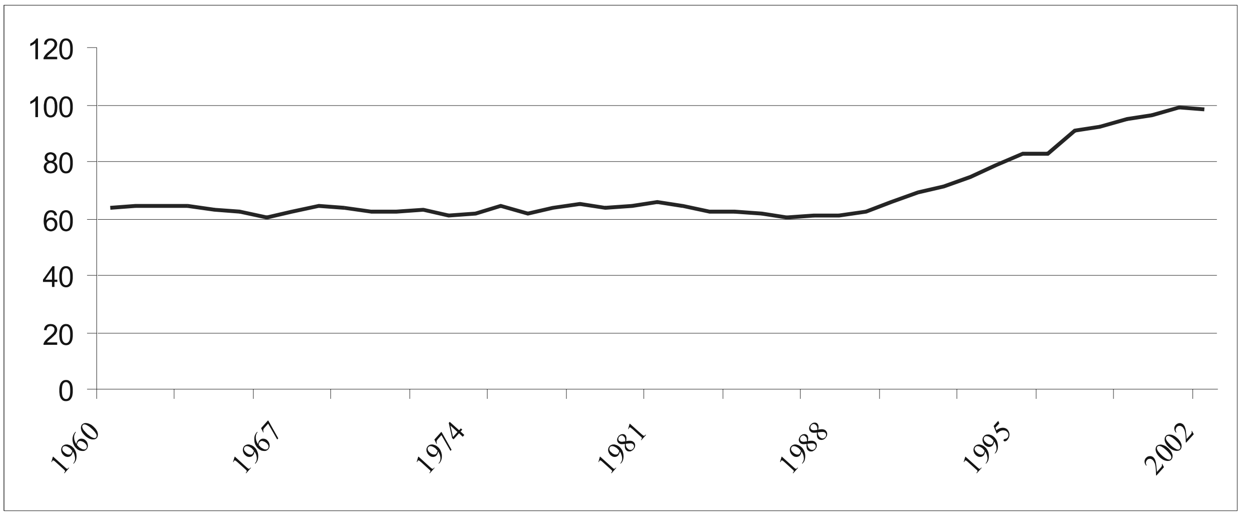
Ireland upon accession to the European Union in 1973 was by far the poorest of the nine Member States. Ireland with income per capita in purchasing power terms was standing at 56 percent of the Union average (Barry, 2005: 1). Ireland's motivation for joining the EC differed significantly from that of the original six Member States. Because of its neutral status, the Irish people did not share the strong impulse to achieve a degree of economic integration (Coyle, 1997: 75). Moreover, a peripheral country with lower level of economic development there was the prospect of financial transfers from the regional funding since the ERDF was in the process of being established at that time of Irish entry. However, in 1972 the Irish electorate voted by an overwhelming 82 percent in favor of joining the European Community (*Ibid*. 76).

Recently Ireland was determined, in a widely reported cross-country study, to be 'the most globalize economy' in the world (Barry, 2004: 1). Trade, measured as the sum of exports and imports, comes out at well over 100 percent of national income for Ireland because this country outperformed all other OECD economies over the last decade and a half. Irish GNP expanded by 140 percent between 1987 and 2000. This performance had led to the country being called the 'Celtic Tiger' (Barry *et al*, 2001: 537). Over a little more than a decade Irish national income per head rose from less than 65 percent of the EU15 average to achieve rough parity by the end of the 1990s. Unemployment decreased from a high of 17 percent in 1987 to less than 4 percent in the early years of the new century and employment expanded by more than 50 percent (Barry, 2005: 2).

In earlier decades Ireland has made up the failure to convergence. On the one hand the reason for delayed convergence was the fact that the proportion of the Irish labour force with higher educational qualifications lagged behind that in the rest of Europe. On the other hand was also the contribution of set factors that Ireland dropped its protectionist position much later than most of the rest of Western Europe.

A study (Barry *et al*, 2001: 538) showed that the precise timing of the turnaround, in the late 1980s, was ascribable to a number of concurrent developments. There was the dramatic increase in foreign direct investment inflows associated

Figure 1: **Irish GNP per head in percent of EU-15 average, 1960–2002**



Source: European Commission AMECO database for GDP per head at PPS.

with improvement in cost competitiveness since 1987. There was also the increase in the structural funding and the development of the Single European Market from 1989 (see *Figure 1*).

Many observers perceive Structural Funds to be the *sine qua non* of mentioned growth because the Ireland has been a substantial net beneficiary of EU Funds. Most of these Funds came through the operation of the Common Agricultural Policy, throughout its period of membership. The country has also been a major recipient of regional aid through various other EU initiatives (Barry, 2005: 2).

Hence, Structural and Cohesion Funds have been one of the contributing factors to Ireland's recent economic growth. Since joining the EU in 1973 Ireland has received over € 17 billion in these Funds support to end 2003. Total investment of two programming periods 1989 to 1999 amounted to approximately € 30 billion, with the aid contributing € 11 billion. During the 2000-2006 periods, Ireland is receiving € 4.31 billion from European Funds in order to finalize the catching up process of its lagging economy and thus consolidate the country's recent economic development (Eurostat).

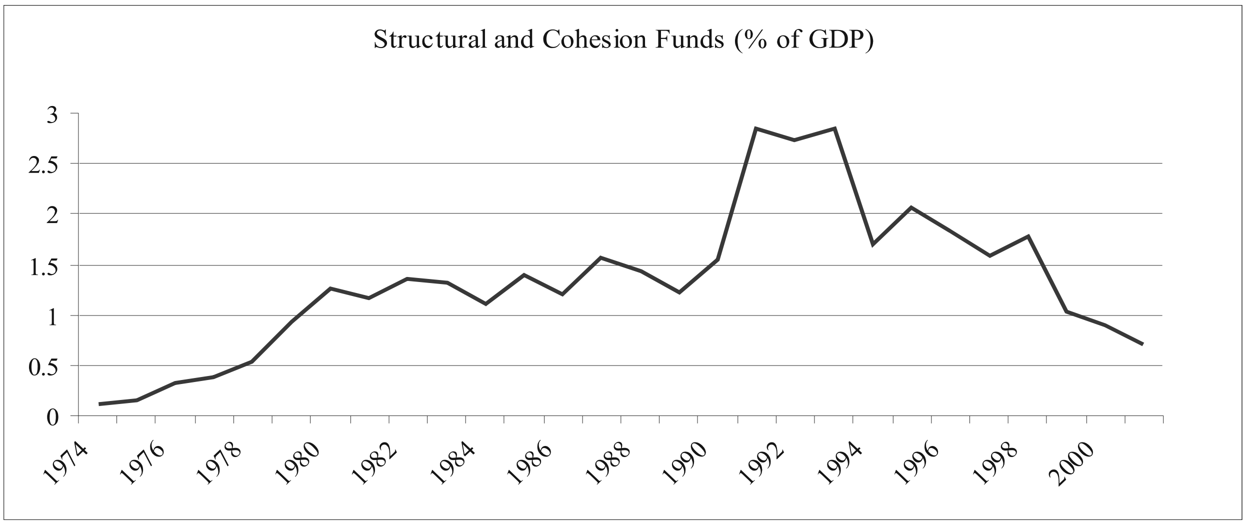
2. Ireland's Recent Economic Growth in Historical Context

In the sense set out above, Ireland since becoming the Union member has been a major beneficiary of EC Regional policy aid. Ireland was a net beneficiary of the EU budget of its relatively low level of economic development and the importance of agriculture to its economy. Up to ratification of the SEA in 1987, Ireland received a total of 1,432 million ECU of financial funding (Laffan, 1996: 325). These financial transfers were regarded as necessary complement to market integration. Ireland's backward situation was recognised in 1988 when all of Ireland was designated as an 'Objective One' region.

It meant that average incomes were at or below 75 percent of the EU average and its have made it a prime candidate for such assistance. Structural Funds in particular gave priority to promoting the development of less prosperous regions by doubling the level of European funding for those regions in the period 1989-1993 (Barry, 2005: 13). In addition, since 1992 Ireland was one of four Member States to receive financial assistance from Cohesion Funds. Between 1989 and 1999 support flowed through the Structural and Cohesion Funds amounted to almost 3 percent of GDP per annum (*Ibid*. 13). Most analyses suggest however that the direct effects on GDP of these EU regional aid programmes would have been adding about half of one percentage point per annum to the GDP growth rate of the 1990s (see *Figure 2*).

Admittedly, as was discussed above, two elements of the 1988 reform was likely to have greatest impact on central-local relations and on institutional arrangements with elements of the reform: programmes and partnership. Since 1988, as all of Ireland was designated as a priority region, the new grand awarding measures required Ireland to submit a development plan to Brussels. Two National Development Plans have been prepared since 1988: the first from 1988 to 1993

Figure 2: **Structural and Cohesion Funds flows to Ireland, % of GDP**



Source: European Commission AMECO database for GDP.

and the second from 1994 to 1999 (*Ibid*. 12). The principle of programming meant that individual projects should be included within a development plan. In addition, there had to be much greater emphasis of the design and implementation of coherent development strategies through multi-annual programming. Programming run through several stages: Regional Development Plans, Community Support Framework, and Operations Programmes.

Another important element of the 1988 reform was an implied involvement of local and regional authorities. As many actors as possible had to be involved in the organizational process with the aim to achieve close co-operation between the Commission and national, regional, and local institutions. An intensive consultation process, involving Government Departments, the Social partners, Regional & Local Authorities, and the Western Development Commission, informed the formulation of the NDP. Community operations should be established through close consultations between the Commission, the Member State concerned and the competent authorities designated by the latter at national, regional, local or other level where party acting as a partner in pursuit of a common goal (Laffan, 1996: 54) This partnership was extensively used in Ireland during the preparations of National Development Plans, especially for that of the period 1994-1999.

The effect that whole Ireland was designated as a single underdeveloped region meant that the Irish government was the regional authority for the purposes of European Community Funding (*Ibid*. 81). It implied also that only single national programme was required. This fact had enabled the Irish government to present its decision to establish a sub-national structure. This structure was for the purpose of preparing the National Development Plan.

All Structural Funds were channeled through Government Departments (*Ibid*. 82). The Department of Finance has overall responsibility for the CSF. Management of individual Operational Programmes had the responsibility of the relevant Government Department, e.g. the Department of Marine and Natural Resources was responsible for the Fisheries Operational Programme. The relevant state body undertook activities supported by the various Operational Programmes. A separate Monitoring Committee was established for the CSF and each Operational Programme. Membership of Monitoring Committees was taken from the responsible Government Department, Social Partners, Implementing Agencies, Regional Authorities and the European Commission. Monitoring Committees were responsible for reviewing progress and may decide to shift resources or change priorities within their Operational Programmes. The CSF Monitoring Committee might make such decisions across Operational Programmes.

3. National Development Plans 1988–1999 (Delors I & Delors II)

The Delors I package marked a major change in the way the Europe conducted its budgetary negotiations and crafted agreement. Annual negotiations were replaced with multi-annual agreements and inter-institutional conflict was replaced by relative harmony in the budgetary field. More important, it was characterized by a very significant in the EU's financial resources going to the Union's poorer Member States and regions. The NDP in Ireland was given a very high priority by the government in 1987-1989. According to Laffan (Laffan, 1996: 54), the high level involvement in the preparation of the plan highlights the significance of Structural Funds to Ireland and the political status that Brussels money brings. The government opted for eight sectoral programmes as a development poles for the plan: environmentally friendly farming, forestry, rural development, tourism, sanitary services, industry and services, peripherality, and human resources (see *Table 1)*. These priorities were implemented as Operational Programmes covering such diverse areas as industrial development, tourism, transport, rural development and environmental services. Structural Funds contributed € 5.7 billion to the CSF for the period 1994–1999. Public and private sector funding bringing the projected expenditure to over € 10.1 billion complemented this.

In 1988, the reform of Structural Funds introduced new political structures, where one of the main objectives was to encourage participation of a much broader of actors in the decision making process (Payne *et al.*, 2000: 103). The 1988 reforms enhanced the powers of the Commission. Previously the Council, the Commission and the European Parliament decided the budget of each of the three Structural Funds annually. With the new reforms, the Commission had significantly more control over the designation of regions and the allocation of Funds (Barry, 2005: 33). Additionally, the 1988 round also set aside 10 percent of the Structural Funds budget for Community Initiatives drawn up by the Commission (Peterson & Blomberg, 1999: 160). They concluded that Cohesion policy was one of the very rare examples of a EU policy in which the Commission was able to directly influence the structures of policy implementation.

The Maastricht Treaty provided for the establishment of an additional financial instrument, the Cohesion Fund, and the reform of Structural Funds. It was agreed that Ireland should receive 7-10 percent of the Cohesion Fund for environmental projects and trans-European transport networks. In addition, Delors II package represented a doubling of the Structural Funds over a seven-year period. The National Development Plan 1994-1999 and the Community Support Framework identified four priority areas for expenditure in Ireland: support for productive investment, infrastructure, the development of human resources, harnessing the potential of local initiatives.

4. National Development Plan 2000-2006

The process of preparing the National Development Plan for the 2000-2006 periods began in early 1998. The Department (Ministry) of Finance invited submissions from other Government Departments, the Social partners and from the NUTS III regional authorities on their investment priorities for the 2000-2006 periods (Barry, 2005: 36). These submissions had to address the overall broad socio-economic objectives for the Plan already agreed by the Government. Ireland's NDP 2000-2006 is designed to consolidate and improve on Ireland's international competitiveness, thus as to support continued and more balanced economic and social development

Table 1: **Outline of the Cohesion Fund Aid Ireland Received in 1993–1999**

	1993–1999, • million	**Percentage, %**
Environment		
Drinking Water	251,1	16,8
Waste water	479,7	32,1
Solid waste	9,4	0,60
Habitat	2,1	0,1
Other	7,4	0,5
Total	749,7	50,1
Transport		
Roads	559,6	37,4
Railways	141,7	9,5
Airports	3,3	0,2
Ports	41,3	2,8
Total	745,9	49,9
Grand Total Aid	1,495,6	100,0

Source: The Department of Finance of the Government of Ireland.

Table 2: **National Development Plan 2000-2006 investments**

Area of Expenditure, Operational Programmes	2000-2006 Average, • billion	Annual, • billion
Economic and Social Infrastructure OP	22,36	3,19
Employment and Human Resources OP	12,56	1,79
Productive Sector OP	5,73	0,82
Southern and Eastern Regional OP	3,79	0,54
Border Midland and West Regional OP	2,65	0,38
CAP Rural Development Programme	4,32	0,62
PEACE Programme	0,13	0,02
Total	51,54	7,36

Source: The Department of Finance of the Government of Ireland.

(see *Appendix B*). The NDP incorporates public investment of nearly € 52 billion over the seven years 2000-2006. It is the largest and most ambitious investment plan ever drawn up by Ireland (Barry, 2005: 42).

While most of the public funding for mentioned Plan will be provided from domestic sources, mainly the Irish Exchequer, the contribution from the EU will be significant: € 3.8 billion from the Structural and Cohesion Funds and € 2.2 billion under the CAP Rural Development Plan. Investment under Public Private Partnerships will amount to at least € 2.4 billion (*Ibid*. 43). The Government agreed the broad socio-economic objectives for the new Plan. These sought to enhance economic potential, to contribute to continuing growth in sustainable employment, to help the re-integration of the long-term unemployed and those at risk of becoming, and to contribute to a balanced geographic distribution of economic activity. The activity was consistent maximizing national economic growth (Hegarty *et al.*, 2000: 2).

These objectives pursued through an integrated strategy involving: three Inter-Regional Operational Programmes (Economic and Social Infrastructure, the Productive Sector and Employment and Human Resources); two multi-sectoral Regional Operational Programmes encompassing local infrastructure, local enterprise, agriculture and rural development and social inclusion; the PEACE Programme which operates in the border counties and in Northern Ireland; and the CAP Rural Development Plan under the EAGGF Fund Guarantee Side (Barry, 2005: 44). The NDP investment under each of these Programmes was as follows is shown in the *Table 2* below. The objectives differed from those of the previous Plan for the period 1994-1999 in the new emphasis on contributing to the regional balance of economic growth. This new emphasis on promoting balanced regional development had been reflected at all stages in the planning process.

Reform of the Structural Funds in 1988 resulted in the provision of a budget for special programmes, known as Community Initiatives, to find common solutions to specific problems affecting the whole of the Union. They were co-financed by Structural Funds but were outside the Community Support Framework structure. Four Community Initiatives operates in Ireland in the 2000-2006 periods (INTERREG III, LEADER+, EQUAL, and URBAN) (Barry, 2005: 42). The Community Initiatives are based on guidelines drawn up by the Commission and prepared in consultation with a Regional policy Committee that consists of senior civil servants nominated by the Member States.

On the basis of these guidelines, the appointed Managing Authority for each Community Initiative in each Member State draws up an Operational Programme for each Initiative. Ireland receives 1.5 percent of the total EU budget for Community Initiatives for the 2000-2006 periods in amounts to € 176 million. During the 2000-2006 periods Ireland receives the total of € 4.31 billion of aid from Funds in order to finalise the catching up process of its lagging economy and thus consolidate the country's recent economic development.

According Laffan and Payne (Laffan & Payne, 2001: 100) prior to 1999 all of Ireland was regarded for the purposes of regional funding as stated above the Objective One are. Until the year 2000, the country was treated as a single Union region, so that community regional aid was integrated into Irish national development policy. In the lead-up to the negotiations on *Agenda 2000*, it became clear that Ireland would lose its Objective One status if all the state was considered as one unit for the purposes of structural funding.

Following a dynamic debate, the government decided to adopt a strategy of regionalisation (Barry, 2005: 2). In opting for this strategy, the government was responding demands from those regions in the west and border areas that were likely to benefit in financial terms from regionalisation. In November 1998 the Irish government decided to apply to Eurostat for a change in Ireland's status as a single region. Following the conclusion of the negotiations on *Agenda 2000*, the country was divided into two NUTS II regions. Although prompted by the desire to maintain a high level of EU Funding, regionalisation in the country responded also to bottom-up demands form the West for more devolved management of Structural Funds in Ireland.

Movement towards achievement of the Single Market and the beginning of monetary union brought reform and expansion of the Structural Funds and the introduction of a new regional aid programme so-called the Cohesion Fund. The reforms emphasized multi-annual programming and extensive monitoring and evaluation of aid expenditures. This support led to substantial improvements in Irish public administration. The adoption of the principle of additionality ensured that the priorities agreed between recipient regions and the Commission would not be derailed by internal political developments (*Ibid*. 2). Aid expenditures were broadly allocated to three areas: the development of physical infrastructure, assistance to the private sector and human resource development. Ireland used a substantially greater proportion of Funds than did the other poorer EU regions in promoting human capital development. The aids to the private sector assisted Ireland in strengthening indigenous industry while continuing to target leading foreign firms.

The Department of Finance of the Government of Ireland constituted that the new the 2007-2013 Plan would in particular seek to address the investment now necessary to maintain national competitiveness within a sustainable economic and budgetary framework. To this end the Plan would particularly focus on the priorities for investment in public economic and social infrastructure in the transport, environmental services, housing, education, health, childcare areas and for investment in human resources in the education and training fields. The Plan will take account of the National Spatial Strategy, environmental sustainability, the all-island dimension and the requirements of the European Union's Lisbon process.

5. Case Study: Ireland *versus* Greece, Spain and Portugal

Ireland, Greece, Spain and Portugal are collectively termed the EU Cohesion countries because of their low levels of income per head (relative to the EU15 average) over the most of the post-war period (Barry, 2003: 898). Apparently, there must be several common factors behind their shared relative poverty. Some authors are dividing their comparative analysis of the cohesion countries since 1960 into separate eras (*Ibid*. 899). The first period 1960-1973, saw most of the cohesion countries converge on EU15 average living standards. The second, 1974-1986 was characterized by general divergence, while the period since then has seen a recommencement of convergence, with particularly dramatic growth in the case of Ireland.

The substantial boost in regional aid entailed by the Delors II package and the setting up of the Cohesion Fund in the wake of the 1992 Maastricht Treaty aimed to accelerate economic convergence and assist the peripheral countries in their adjustment to EMU. European regional aid to the periphery has been substantial since then, ranging from almost 15 percent of total investment in Greece in the 1994-1999 periods to 7 percent in the case of Spain (*Ibid*. 913). The aid has been generally directed towards three target areas in which the periphery countries were lagging and in which there are microeconomic grounds for public intervention: physical infrastructure, human resources and industrial development.

The first target area, since investment in peripheral regions had improved accessibility, had been accompanied by similar investment in neighbouring regions and more central ones, which could neutralize any relative gain (Barry, 2003: 913). The second major target area was human resources but with the support of the Structural Funds, the relative position of the periphery had improved. The third target area was in terms of industrial development was again structural funding which had promoted some degree of convergence, particularly in the case of Ireland. In this case European aid expenditures were carefully integrated with the country's demand for labour development strategy (*Ibid*. 913).

The importance of integrating aid expenditures into an overall development strategy is an important emerging theme in the analysis of the efficiency of regional aid. Boldrin and Canova (Boldrin & Canova, 2001: 44) suggest that structural funding generally operates as little more than an income support mechanism. Barry (Barry, 2003: 914) argues that its interaction with other elements of the Irish strategy strengthened its beneficial effects. In line with this latter analysis, some authors find that Structural Funds expenditures on infrastructure and industrial development are not significantly correlated with economic growth in Objective 1 regions. It may have contributed to the concentration of economic activities in the core regions of the Cohesion countries and that this in turn may have contributed to national convergence.

According to Barry (*Ibid*. 917), European regional aid is associated with some convergence in the specific target areas. A reduction in support as enlargement proceeds may make the effects of the Stability and Growth Pact more difficult for the periphery. On the other hand, it inhibits an equitable inter-generational distribution of the load of infra structural expenditures which remain crucial to further convergence. Consequently, further integration is likely to increase the pressure for administrative and institutional reforms, factors which have retarded growth in some of the periphery countries in the past.

Development in the flows of Structural Funds can be compared from the *Table 3*, which gives an import of the EU actual and planned intervention in Greece, Ireland, Portugal and Spain during the period of 1989-1999 (Beutel, 1993: 33). First CSF 1989-1993 interventions amounted to 4.5 percent of GDP in Greece, 6.0 percent for Ireland, 6.2 percent for Portugal, and 1.6 percent for Spain. Resources through Structural Funds were more than doubled for the four recipient countries during the second CSF. Assistances rose noticeably to an annual average of 7.2 percent of GDP for Greece, 7.1 percent for Portugal, and 3.4 percent for Spain. Ireland was expected to receive an amount equal to 5.0 percent of GDP annually (Beutel, 1993:33).

An important aspect of the CSF was the degree of co-financing between the European and the national economy, with the latter consisting of both public and private investment (*Ibid*. 34). Regarding the first CSF implementation period, Greece received the highest proportion from the EU – 59 percent. The highest private co-financing ratio was in Ireland – 27 percent. The public contribution was relatively the same for all four countries, ranging from 29 percent for Portugal to 36 percent for Spain. The large disparities between the co-financing ratios in the four recipient countries were, to a large extent, eliminated in the second CSF period. The Union contribution ranged between 51 percent (Greece) to 57 percent (Ireland). Contrary, the involvement of the private sector ranged between 20 percent (Ireland) to 26 percent (Greece) (*Ibid*. 33). Consequently, there were only trivial differences in the public sector co-financing ratios between the four countries as in the case of the first CSF, but these ratios were significantly lower.

The analysis provides that the implementation of the first CSF was associated with a significant rise of growth rates and promoted co-

Table 3: **European Union financing in peripheral countries**

First Community Support Framework 1989–1993				
	Greece	**Ireland**	**Portugal**	**Spain**
EU Financing (GDP, %)	2.65 (59%)	2.66 (44%)	3.07 (50%)	0.75 (48%)
Public Expenditure (GDP, %)	1.49 (33%)	1.74 (29%)	1.76 (29%)	0.56 (36%)
Private Expenditure (GDP, %)	0.33 (7%)	1.60 (27%)	1.32 (21%)	0.26 (16%)
Annual Average (GDP, %)	4.47	6.00	6.15	1.57
Second Community Support Framework 1994-1999				
EU Financing (GDP, %)	3.67 (51%)	2.82 (57%)	3.97 (56%)	1.74 (51%)
Public Expenditure (GDP, %)	1.67 (23%)	1.18 (24%)	1.58 (22%)	0.88 (26%)
Private Expenditure (GDP, %)	1.86 (26%)	0.98 (20%)	1.56 (22%)	0.76 (22%)
Annual Average (GDP, %)	7.20	4.98	7.11	3.38

Source: European Economy (No 65, 1998), European Commission (1997a).

Table 4: **Effect of Structural policy: simulations results, 2000-2006**

HERMIN Model	Greece		Spain		Ireland		Portugal	
	2000	2006	2000	2006	2000	2006	2000	2006
GDP	5,1	6,2	1,5	2,4	1,2	1,8	6,4	6,0
Private consumption	3,1	6,7	0,8	2,5	0,8	1,2	6,2	5,8
Fixed investment	27,0	23,2	4,4	4,4	5,8	2,7	20,2	14,0
Employment	4,7	3,9	1,2	1,6	1,0	0,5	4,7	2,9
Price level	1,7	4,4	0,5	1,1	0,5	0,0	0,6	0,4
Public deficit	0,1	-0,1	0,1	-0,1	0,3	0,0	0,2	0,2
Trade balance	-1,6	-1,6	-0,6	-0,6	-0,6	0,1	-2,4	-1,2

Source: European Commission, 2nd report on Economic and Social Cohesion, 2001, Vol.2.

hesion among member countries (*Ibid*. 34). These countries systematically have continued to diverge from the rest of the Member States. Estimates for Ireland, Spain and Portugal showed that infrastructure building increase by CSF have lasting effects on the less developed regions of the Europe (Bradley *et al.*, 1995: 45). As far as the economic impact of the Union's structural operations was concerned, there was the fundamental difference between the redistribution effects. Though, the structural operations were not officially about redistribution but about strengthening the economic competitiveness of problem regions and the growth effect of Structural Funds.

Another redistribution effect was easier to measure. The structural assistance equalized per capita income by some 3 percent in the 1989-1993 period and by 4.5 percent in the 1994-1999 period (*Ibid*. 46). It seemed very high but since the cohesion countries obtain up to 4 percent of their GDP from Structural and Cohesion Funds they were not improbable. In sense set out above, Regional policy was rightly blamed for supporting too many projects in too many regions. More than two thirds of the funding was allocated to low-income Objective 1 regions. A certain degree of concentration of the Union's structural operations was absolutely although it could obviously be higher. In essence that it does not provide any information about the inter-personal rather than inter-regional equality effects of Regional policy. Under the present arrangements poor citizens in the rich Member States like Germany may subsidise rich citizens in the poor Member States.

The said growth effects of the structural operations can be estimated by means of regional or national macro-economic models. According to an input-output model used by the Commission's Directorate-General for Regional policy GDP growth in Portugal, Greece, Ireland and Spain without the interventions of Structural Funds would have been on average almost half a percentage point lower than the 2.2 percent that were achieved during the 1989-1993 programme period. The input-output model used for these estimations provides a high level of sectoral disaggregation but it not denies the fact that it is comparative static (Beutel, 1993: 36).

Simulations based on the HERMIN macroeconomic model (see *Table 4)* yield a calculation closer to or above the input-output based estimates (Bradley *et al.*, 1995: 32). One of the key features of this model is that it assumes positive growth externalities of public investments in human capital and infrastructure, assumptions that are based on endogenous growth theory and research on the economic impact of infrastructure investments (Barro *et al.*, 1995: 178).

According to estimates based on the QUEST II macroeconomic model, operated by the Commission's Economic and Financial Service, the growth effects of the 1989-1993 programmes have not been negligible but less pronounced than suggested by the input-output analysis. The QUEST II model differentiates between demand and supply-side effects of the Structural Funds in the short, medium and long run. It is thus more sophisticated than the input-output analysis. However, the QUEST II estimates are made on a national rather than regional basis and that this model does not differentiate between different sectors of production (Roeger, 1996: 56).

A recent popular study of the Socio-economic Impact of Projects Financed by the Cohesion Fund (European Commission DG XVI,

1997) by the London School of Economics has identified substantial positive 'spill over' effects from Cohesion Fund investments. This evaluation exercise is based on a number of recent economic modeling techniques, but it is restricted to the economic effects of individual infrastructure projects. To sum up, various estimates and simulations point towards positive growth effects in the recipient countries due to the Union's structural operations. This in itself is not surprising given the very substantial amounts of money that were injected into the cohesion economies. As far as the key question is concerned, namely to what extent the structural operations improve the competitiveness of peripheral regions in the long run and whether they have lasting positive effects after the transfers have come to an end, and await a definitive answer.

However, it seems that aid from the Structural Funds can be a powerful help if the macroeconomic and microeconomic framework conditions in the recipient region are favorable to economic growth and entrepreneurship. The Funds have certainly helped countries like Ireland and Portugal to overcome some of their structural problems. Like the poor educational attainment of the workforce and insufficient transport infrastructure, more quickly than mentioned countries could have done in the absence of support from the Union (Alogoskoufis, 1995: 148). Other recipients like Greece have expended much of the assistance in ineffective projects, cost increases and business profits.

There is considerable dispute over the question of whether budgetary transfers like those of Structural Funds really have a positive impact on the economic development of the periphery regions. Evidence from those regions which have benefited for several years within the Community is mixed (Mayhew, 1998: 298). In these examples it took several years before Structural Funds were used efficiently. In the Ireland the existence of inefficient semi-state bodies that assumed control of this spending meant considerable waste in the 1970s and earlier 1980s. It was only with the reform of these bodies and the development of economic policies which were better adjusted to creating a stable economic environment for the private sector that the real benefits of these transfers could be obtain.

Conclusions

The author distinguishes the following tendencies related to the extent of the European development policies since the 1988 reform of the Structural Funds and succeeds in achieving the objectives of greater economic and social cohesion and of a reduction in regional disparities across Europe. The analysis has focused on the impact of the Structural Funds allocated to Objective 1 regions in the Member States.

The Member State tries to maximize possible benefits of the EU Structural funds and following the May enlargement of the Union to 25 Member States; EU aid to current 2000-2006 Community Support Framework comes to an end. However, that the possible benefits of the Regional Funds in this country could not be maximized if will not be used the Cohesion countries experience in the last several decades. On the opposite, the conducted research shows that due to the variations between the different types of regional administration across Europe, and the other – co-ordinated sectoral policy initiatives that are instrumental in developing a given territorial space-region, sub-region, or local area, could be maximized. The conclusions made and the tendencies noticed by the author only confirm a growing impact of the EU Regional policy on the national and regional economic disparities in Europe.

The author puts forward the following conclusions. The clarification whether certain well-established four key principles: multi-annual programming, partnership, subsidiarity, and additionality, may stimulate the decline of regional disparities determined particular attention to the principles regulating the Funds. In this way it was shown that EU Regional policy relates the previous discussion on the competition between actors across Union, national and subnational institutions that have shaped Cohesion policy into one of the most financially important policy sector.

The identification national measures which led the economic growth in the periphery in many cases, presupposes that EU Structural Funds supported the creation of new regions of very different sizes and structural settings formed along natural, historical, cultural or economic topics, often transcending existing administrative and even national boundaries. In terms of sustainable development, this major achievement of financial support as it leads the way to more appreciate definitions of regions and how they respond to economic and political concerns.

The main problem arises in arguing an regional disparities in the Cohesion countries led to deduce the major factors which ensure the viability of processes initiated by Structural Funds as integration of key actors, strong regional identities, well-built participatory elements in the implementation, strengthening of the social capital in the regions, stronger cross-sector policy integration, the enhanced role for the regional authorities in pursuance to balance distribution of Funds going to the regions, common economic and political problems can be a good basis for co-operation and increased capacity building for policy making, a stronger role national authorities in regional sustainable development. It should promote the importance of the regions in sustainable development within EU.

Finally, there would be a slight increase or even stagnation in Funds despite the Cohesion countries. The expected development of the budgetary situation of the EU clearly does not allow countries to pay their way out of difficult decisions. There would be the task of continuing the work started in the period 2000-2006. Stagnating financial resources and the expanded field of application of Structural Funds leads to the new definition of regions eligible for these funds that leaves out many regions that currently gains from Structural Funds. EU expenditure has been important in the poorer member states and the poorer regions of richer member states. It will play an important role in the enlargement process of the EU, both through structural funds, from which benefit almost all regions of the Member States benefit, some of them are fully applicable from the date of accession, and some rise gradually over ten years.

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Kristina Bernotaitė

Europos Sąjungos struktūrinių fondų įgyvendinimo proceso analizė Sanglaudos šalių pavyzdžiu

Santrauka

Europos Sąjungos (toliau – ES) plėtra daugeliu atžvilgių yra unikalus procesas. Lietuvai šiame integracijos procese labai svarbu nagrinėti ne tik artimiausių valstybių kaimynių patirtį, bet ir sugebėti perimti ilgalaikę Vakarų Europos valstybių integracijos tarpvalstybinių derybų patirtį, išmokti derinti interesus, ieškoti ES ir nacionalinių institucijų kompromisų, laikytis tam tikrų žaidimo taisyklių, įformintų teisės normomis, perimti jų taikymo praktiką.

Straipsnyje keliamais klausimais Lietuvos mokslo leidiniuose nebuvo jokios tiriamosios medžiagos, todėl pabrėžtinas šio straipsnio aktualumas. Autorė nagrinėja Europos Sąjungos struktūrinės politikos įtaką Sanglaudos šalių regionalizacijos ir europeizacijos kontekste. Straipsnyje iškeliamos problemos, susijusios su atsilikusių Europos regionų siekimu didinti savo ekonominės veiklos efektyvumą laisvosios rinkos konkurencinėje kovoje. Analizuojama Airijos patirtis įgyvendinant ES politinę praktiką, administruojant ES finansinės paramos lėšas bei užtikrinant nacionalinio vystymosi plano vykdymą 1988–2006 m. Pasitelkus atliktos analizės rezultatus gretinami Airijos ir Graikijos, Portugalijos bei Ispanijos regioninės paramos įgyvendinimo mechanizmai su nacionalinėmis bei Bendrijos iniciatyvomis. Siekiama, kad Vidurio Europos valstybių europeizacijos analizė padėtų suvokti šį procesą bei naujų ES narių, taip pat ir Lietuvos, teisiniame, politiniame, ekonominiame gyvenime vykstančius pokyčius.

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