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### Disaggregating the impact of the European Union Cohesion Policy: Differentiated responses in the internalisation of the policy's 'added value' in Greece and Ireland

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## **Disaggregating the impact of the European Union Cohesion Policy: Differentiated responses in the internalisation of the policy's 'added value' in Greece and Ireland**

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### **Abstract**

This paper explores the divergent 'added value' that the implementation of the European Union's (EU) Cohesion Policy (CP) had in two of the original cohesion countries, Greece and Ireland. The implementation of the CP entails the transposition of the added value that arrives at the domestic level of the recipient countries and intends to promote changes in the administrative and institutional structures. The paper identifies five areas in which the added value has influenced Greece and Ireland, cohesion, political, policy, operational and policy learning. We argue that Greece has faced significant difficulties in internalising certain components of the CP added value because of a series of domestic administrative and institutional arrangements that mediated this relationship. In the case of Ireland there have been better patterns of adjustment to the components of the CP added value because the previously established institutional and administrative arrangements were reformed by the domestic Irish governments.

**KEYWORDS:** EU Cohesion Policy, added value, Greece, Ireland, regional policy

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### **Διαχωρίζοντας τις επιπτώσεις της Πολιτικής Συνοχής της Ευρωπαϊκής Ένωσης: διαφοροποιημένες αποκρίσεις στη διαδικασία εσωτερικευσης της 'προστιθέμενης αξίας' της πολιτικής στην Ελλάδα και στην Ιρλανδία**

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### **Περίληψη**

Η παρούσα εργασία διερευνά τις αποκλίσεις στους τρόπους με τους οποίους η 'προστιθέμενη αξία' της Πολιτικής Συνοχής (Π.Σ.) της Ευρωπαϊκής Ένωσης

(Ε.Ε.) εφαρμόστηκε σε δύο από τις αρχικές χώρες Συνοχής, την Ελλάδα και την Ιρλανδία. Η εφαρμογή της Π.Σ. συνεπάγεται τη μεταφορά της προστιθέμενης αξίας που προωθεί αλλαγές σε θεσμικές και διοικητικές δομές στο εθνικό επίπεδο των δικαιούχων χωρών. Το άρθρο προσδιορίζει πέντε τομείς στους οποίους η προστιθέμενη αξία έχει επηρεάσει τις δύο χώρες αναφοράς: τη συνοχή, την πολιτική (political), την πολιτική (policy), την επιχειρησιακή και την εκμάθηση. Υποστηρίζουμε ότι η Ελλάδα αντιμετώπισε σοβαρές δυσκολίες στη διαδικασία εσωτερικής ορισμένων στοιχείων της προστιθέμενης αξίας λόγω μιας σειράς εσωτερικών θεσμικών και διοικητικών ρυθμίσεων και δομών που επιτελούν διαμεσολαβητικό ρόλο στη σχέση εθνικού-υπερεθνικού. Στην περίπτωση της Ιρλανδίας υπήρξε καλύτερη προσαρμογή στα συστατικά της προστιθέμενης αξίας εξαιτίας των εθνικών μεταρρυθμίσεων που μετέβαλαν τις εσωτερικές θεσμικές και διοικητικές δομές.

**ΛΕΞΕΙΣ-ΚΛΕΙΔΙΑ:** Πολιτική Συνοχής της Ε.Ε., προστιθέμενη αξία, Ελλάδα, Ιρλανδία, περιφερειακή πολιτική

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## Introduction

The European Union (EU) Cohesion Policy (CP) continues to divide and unite its critics and foes in the EU institutions and the member states. The latest round of budgetary discussions has once again been marred by disagreements regarding the amount of funds that will become available for the CP in the programming period that will initiate in 2014. At the centre of these disagreements lies the issue of the effectiveness of the CP in promoting the objective of regional convergence in the EU. In the discussions regarding the effectiveness of the CP much research has been devoted to the issue of the interactions between the supranational requirements of the CP and their domestic applications. These can be broadly divided in two camps.

Firstly, there are those studies that examine these interactions from the perspective of economics and/or economic geography and regional science, attempting to quantify the outcomes of the CP in terms of jobs creation, GDP rates etc. (Rodriguez- Pose and Fratesi, 2004; Petrakos et al., 2005). On the other hand, there are those studies that examine these interactions from the perspective of public policy and are more focused on identifying changes in policy processes rather than policy outputs (for example Andreou, 2006). Despite their obvious methodological differences, both these approaches share a conceptualisation of the CP as a common entity through which specific external stimuli for change

emanate for the countries receiving the funds. In the case of the economics/economic geography literature, these are the macroeconomic objectives regarding reduction of inequalities, unemployment and growth whilst in the public policy literature they are more related with 'Europeanising' influences, stimuli for decentralisation, and/ or more effective delivery of public services.

The current article sits closer with the findings offered by the latter category of studies and attempts to identify policy changes in the domestic administrative and institutional practices of two of the main recipient and original cohesion countries of the CP, Greece and Ireland. However, the novelty of the approach that we adopt is that the article attempts to isolate the specific effects that each component of the regulatory framework governing the CP has had for the two countries. It therefore explores the CP/ domestic politics interactions from the perspectives offered by the conceptualisations of the CP 'added value' (Bachtler and Taylor, 2003; Mairate, 2006). The advantage and hence originality of this approach is that rather than discussing the intended policy impact of the CP in general, it allows its disaggregation into its constituent elements. This allows for the possibility that some specific elements of the intended added value may be internalised more successfully than others. Thus, the impact of CP on policy processes is conceptualised as a source of more variegated and differentiated external stimuli, which provides equally differentiated impacts in the institutional and governance practices of the recipient countries.

The CP's principal aim is the combating of the problems of uneven socioeconomic development through the instigation of projects of physical and social infrastructure. Its importance lies, however, not only in what the policy does but also how it does it. Apart from the strict macroeconomic objectives, which are promoted through the Structural Funds financial instruments, the implementation of the policy entails significant repercussions for the administrative and political practices of the countries that implement the relevant programmes. More specifically, the implementation of the Structural Funds entails the transposition of the principles that govern their operation in the domestic political and administrative systems of the recipient countries. This has been described as the 'added value' of the policy (Bachtler and Taylor, 2003; Mairate, 2006), relating to the qualitative in addition to the strict macroeconomic impact that the CP has on the domestic institutional structures that emanate from the regulatory framework governing its operations. If this is the case, we argue in the paper that pre-existing domestic institutional arrangements act as important mediating factors through which the final outcomes of the intentions pursued through these qualitative characteristics are determined (Risse, et. al., 2001).

The most systematic attempt to capture the specificities of what the term added value describes in the context of the CP is made by Bachtler and Taylor (2003). Admitting that what can be included in the term is highly subjective, they define it as: ‘Something which has been enabled or which could not have been done, without Community assistance’ (Bachtler and Taylor, 2003: 9). They then divide the concept into five strands, comprising: cohesion, politics, policy, learning and operational added value. They argue that the added value of the CP inevitably varies greatly across different geographical parts of the EU, its impact dependent upon a combination of domestic administrative and programming arrangements which act as mediating factors.

The remaining of the paper is structured as follows. The next section identifies the methodology that we deploy in order to discuss the patterns of added value internalisation in Greece and Ireland. The third section comprises an overall assessment of the patterns of internalisation of the CP added value in the two countries. This is then followed by five sections each dealing with the specific components of added value in Greece and Ireland. The penultimate section summarises the findings and the last part concludes.

## Methodology

Despite being two of the original cohesion countries, Greece and Ireland followed quite divergent paths in the 1990s and 2000s. Whilst Ireland was marked by impressive socio-economic growth rates, Greece’s growth was more limited, though not insignificant. Greece managed to catch up with the rest of the EU-15 in a number of macroeconomic indicators despite inadequate performances in the unemployment and productivity rates. In Ireland, notwithstanding a range of favourable drivers for growth (Honohan and Walsh, 2002), much credit was given to the Irish state’s integration of EU structural funding into national development plans. This raises the possibility that Ireland developed an administrative capacity that Greece did not. Even since the dramatic and rapid decline of these two economies, there is a view of Ireland as ‘the good European’, able to deliver EU policy conditions in crisis, with Greece castigated as ‘the naughty child’ unable to behave.

We wish to test these alternate views, by examining the patterns of internalisation of the separate components of the CP added value in these two cohesion states during successive rounds of Structural and Cohesion funding. We argue that the simplicity and veracity of this dichotomous view obscures a more complex reality. Although it is fair to say that in Greece, the impact of the CP principles and practices has been limited, the main reason for this is

the lack of domestic administrative and territorial reforms that would provide for a better match between the domestic and supranational arrangements and mediate the CP influences. In Ireland, we find that the impact of CP principles and practice, although perhaps cynically introduced, led to a gradual conversion to EU policy norms and values. Still, however, in both states it is evident that the capacity of existing systems of public administration to absorb and adapt to EU policy criteria is critical.

In our consideration of Greece and Ireland we explore the added value derived from structural funds implementation using Bachtler and Taylor's (2003) typology. In order to examine whether 'something has been enabled, that could not have occurred without EU assistance' we examine the added value focussing in particular upon: cohesion, politics, policy, operational arrangements and policy learning. More specifically, in terms of cohesion added value, we look for evidence of a reduction in economic and social disparities, relative to other regions or within regions, plus a measurable additional contribution to economic development. In terms of political added value we look for enhanced visibility of the EU to the citizen and increased participation of sub-national economic development actors, businesses and citizens. To account for policy added value we look at the extent of additional expenditure on regional development, national co-financing and sub-national co-financing, private sector leverage, and a raising of the profile of regional policy through changes in existing policy and associated policy innovation. In terms of operational added value, we look for changes to institutional arrangements or implementation methods that enhance existing practice or develop new and innovative practices, together with a better understanding of what works and what does not which can be applied to future implementation initiatives. A central component of the operational added value is the principle of partnership which aims to improve bottom-up participation by actors representing civil society. Finally, in terms of the policy learning added value, we seek evidence of exchange of practical experiences, dissemination of good practice and knowledge transfer. The impact of the five elements of added value is mediated in the two countries in accordance to the three mediating factors that Bachtler and Taylor identify; namely the financial and geographical scale of the programmes, the type of the administrative systems present in the two countries and the maturity of programming experiences.

## Assessing the added value in Greece and Ireland prior to the EU Cohesion Policy

The Greek state has been heavily involved in managing socioeconomic activity throughout the post-World War II period. However, the focus was largely on national objectives, and any elements of regional nature would end up becoming incorporated into the national developmental policy (Andrikopoulou and Kafkalas 2004; Andreou, 2006). In addition, no institutional changes took place in relation to the authorities responsible for the management of the regional development resources. Therefore, the formulation and administration of public investment programmes with a regional dimension remained under the control of the centre. These programmes mainly consisted of individual projects of public works and politically they were pursued through the clientelistic interchange of local politicians with the central government. The regional development authorities could request public works projects and hope that what they had to offer to the central state in clientelistic terms – that is, votes and favors—could guarantee them being considered (Andreou, 2009). Thus, overall the Greek state has been heavily centralised in the way that it has managed its territorial capacities. This is the picture concerning the background in which the CP was initiated in the early 1990s in Greece.

As with Greece, the Irish state prior to the CP was also highly centralized. In the years after Irish independence, development was associated clearly and exclusively with central government economic activity: regional development referred only to the equitable spread of the benefit. It was assumed that successful national policies, designed to attract investment and increase industrial activity, would benefit the whole of Ireland through a ‘trickle down’ effect, whereby the less well-off regions would be lifted by a rising tide of development throughout the state. Responsibility for development resided either with the central government or with agencies appointed directly by central government. Whilst a reasonable amount of legislative activity in the 1950s and 1960s might be construed as evidence of ‘active regional policy’ (Moynlan, 2011), these moves ‘were illustrative of attempts to devolve development potential from the centre, as opposed to encouraging it from the local level’ (Adshead, 2013).

After Irish accession to the EC in 1973, a series of organisational schemes was introduced that operated at the regional or the local level and had some limited socio-economic development functions. However, these were also controlled by the central state and did not enjoy any fiscal autonomy. Overall, until the late 1980s the country had limited experience of implementing regional policies and the central government had limited enthusiasm for consultation and negotiation with regional and local socioeconomic interests (Rees et al, 2006; Adshead, 2013).

Thus, despite the different dates of accession, at the time of the initiation of the CP in the early 1990s, Greece and Ireland were at relatively similar situations concerning regional development policies and their policy implications.

### **Cohesion added value**

Greece stands at the outer end of the agglomeration of economic activities that characterises the patterns of EU economic spatial distribution of activity (Psycharis and Petrakos, 2010). This means that geographically speaking it does not benefit from proximity to the core EU markets. Until the outbreak of the crisis in 2009, Greece had significantly reduced its distance in terms of GDP growth rates with the core EU countries. Specifically, according to estimations provided in the Cohesion reports published by the European Commission, Greek GDP has been around 2, 5% higher compared to what it would have been without the CP intervention in the first three programming periods (quoted in Puigcerver- Penalver, 2009). The results presented in the last Cohesion report of 2010 estimate that the impact of CP expenditure on GDP for the period 2000-2009 ranged between 1, 3% and 1, 8%. In terms of the CP effects in employment creation, the latest Cohesion report estimates that around 500,000 new jobs were created due to the CP intervention during the period 2000-2009.

Notwithstanding national rates of economic growth, the Cohesion reports and the Commission evaluations acknowledge that the main policy aim of the CP which is the reduction of the inter-regional disparities inside the countries that receive the structural funds has not been achieved for Greece. The country continues to suffer from acute regional disparities which are mainly characterised by heavy concentration of population and economic activity in and around Athens and to a lesser extent Thessaloniki. Furthermore, even after the two waves of enlargement in 2004 and 2007, eight out of the 13 Greek regions belong to the group of 70 regions with a GDP per capita less than 75% of the EU average. Characteristically, in the period 2000-2006 the gap between the rates of socioeconomic development between Athens and the rest of the country grew wider with the GDP of the region surrounding Athens growing at around 5% and the GDP of all the other regions of the country taken together at 3% (CEC, 2010: 58). Finally, after the introduction of the austerity measures in 2010 these patterns of divergence are set to deteriorate, primarily due to the reduction of the funds available for regional development as a result of the austerity measures (Christofakis and Papadaskalopoulos, 2011).

Therefore, in terms of the cohesion CP added value, we find that Greece has partially reduced its distance to its EU counterparts and the Structural Funds have played an important part in that. However, the studies concerning the impact of the CP in the reduction of regional disparities inside the country



show that if anything the CP has probably contributed to more centralisation of economic activity in the area surrounding Athens (Psycharis and Petrakos, 2010).

Similarly to Greece, Ireland is located on the economic (and geographical) periphery of the EU, a disadvantage that the Irish were keen to highlight in their negotiations prior to the Single European Act, and the financial re-organization of EU Structural Funds that accompanied it. As with Greece, the consequent implementation of the CP significantly contributed to greater regional convergence across Ireland as a whole, compared with other EU member states. Until the outbreak of the crisis in 2009, Ireland's average GDP growth rates had not only caught up, but taken over the EU average (Boyle, 2000). The third Cohesion report has estimated that the Irish GDP grew by around 3% due to the CP involvement during the first three programming periods (quoted in Puigcerver-Penalver, 2009).

Still, similar to Greece, this national average masked significant regional disparities. A mid-term review of the Community Support Framework 2000-2006 noted some convergence towards the EU average of regional GVA in the Border Midlands and Western region, plus the narrowing of differences in unemployment rates and similarities in population growth rates in the early years of the programme (Fitzgerald et al, 2003). The review also noted the heterogeneity of regional performance within the NUTS II regions and the persistent disparities in regional output and productivity.

In a series of interviews with key regional policy actors, Moylan (2011) noted their concern that despite overall improvements in employment and economic growth, the Greater Dublin Area continued to dominate in terms of economic performance. Several references were made to some regions not doing particularly well, and to missed opportunities resulting from the lack of implementation of the National Spatial Strategy (Moylan, 2011: 102). Just as in Greece, development in Ireland has been unbalanced and there has been a centralization of economic activity around the capital and its hinterland.

## Political added value

The political added value that has incurred in Greece as a result of the CP is differentiated. The completion of a series of major projects of physical infrastructure (Athens Metro, El. Venizelos airport, Attiki Odos highway, Egnatia Odoos highway) has increased substantially the visibility of the EU to the citizens. Although it is difficult to provide specific evidence on that, there is little doubt that most people are aware of the CP contribution in the completion of these projects which have substantially improved the quality of life of Greek citizens (Paraskevopoulos, 2005).

However, a different picture emerges when it comes to the political added value incurred by the CP at the sub-national level. The centralised nature of Greek policy making has hardly been challenged due to the CP and the central state has retained and reinforced its authority towards the regional and local authorities in all programming periods (Chardas, 2013). In the current programming period of the National Strategic Reference Framework (NSRF), the centralisation processes were officially institutionalised with the establishment of a separate coordinating unit at the Ministry of Economy, specifically endowed with the responsibility to control the operations of the regional MAs (Andreou and Papadakis, 2012). In addition, the establishment of the 13 democratically elected regional authorities through the latest plan for the modernisation of sub-national administration which is the Kalikratis plan was accompanied by the creation of seven decentralised units directly managed by the central government. This continues the process of the Greek state offering decentralisation with the one hand whilst reasserting its control towards the regional authorities with the other (Chardas, 2013). Thus, the Greek sub-national actors remain predominantly weak in their capacities to engage in meaningful policy action at both the national and international levels.

In Ireland, a successful judicial challenge to the ratification of the Single European Act in 1987 set a precedent that referenda would always be held regarding any subsequent proposals for changes to EU treaties. So at a very minimum, Irish citizens are often more aware of the EU than their EU counterparts, since they are obliged to consider its impact routinely in national referenda (there have to date been 8 referenda on EU treaty changes in Ireland). Added to this, the conspicuous national infrastructural supports plus the continued significance of the Common Agricultural Policy to a well-organized and politically active farming sector, serve to keep the benefits of EU membership in the minds of most Irish citizens.

### **Policy added value**

**A**fter almost 25 years of experience with the CP funding in Greece there is little doubt that had it not been for the Structural Funds, there would have not been a regional policy designed and implemented by the Greek government (Andrikopoulou and Kafkalas, 2004). Due to the centralisation of the Greek state, the prospect that the central government would have allowed such scope for autonomy to the regional authorities is highly doubtful. Therefore, the impact of the CP in terms of the programming requirements of the Structural Funds has been significant (Andreou, 2006). After the introduction of the Integrated Mediterranean Programmes (IMPs) in 1986 the country was divided in 13 regions in accordance to the programming requirement. The first CSF kept

this classification and enhanced it with sectoral operational programmes that were designed to cover different areas of socioeconomic activity. This approach is now firmly entrenched in the domestic arrangement as is the multi-annual programming, which is a useful addition to the mainly ad hoc nature of separate projects that had characterised developmental policies in the past.

Moreover, given the lack of technocratic tradition in Greece as well as the coordination problems between government ministries (Andreou and Papadakis, 2012) the introduction of the strategic dimension of programming has also benefited the country significantly (interview with regional development consultant). The introduction of the Management and Implementation Systems (MIS) with the third CSF has provided significant opportunities for the creation of an autonomous administrative system that could diffuse the CP added value to the remaining civil service (EPRC, 2009). Indeed, the creation of spill-over effects and the bypassing of the core civil service and its well documented rigidities has been a central component of the strategy that was followed on behalf of the DG Regio officials at the time (interview with employee of DG Regional Policy). The employees of the Managing Authorities both at the regional and the national levels have arrived from the private sector following competitive and meritocratic exams (EPRC, 2009). The level of expertise that has developed as a result is a factor that can promote the diffusion of the CP added value to a civil service that has been facing significant operational shortcomings.

Nevertheless, if that is the situation concerning the stage of the design of the CP programmes financed in Greece, the evidence suggest a more complex picture when it comes to the ways in which the intended policy added value was internalised during the implementation of the programmes. Specifically, the leverage effects of the structural funds have not been significant with the quest for private sector participation being a constant problem facing the Managing Authorities (interview with regional development consultant). The seemingly endless auditing required by the Commission for the approval of private sector involvement has only served to exacerbate these problems (Andreou and Papadakis, 2012). What is notable in this respect and indicative of the situation is that even after the decrease in 2012 of the requirement for national match-funding to 5%, the absorption rates of the NSRF are still very low. Thus, even though the Commission attempted to ease the situation concerning the difficulties in identifying national contributions and lowered the relevant percentage to the lowest level of national co-funding requirement ever adopted in a recipient country, the Greek authorities are still struggling to identify potential beneficiaries (interview with regional development consultant).

The only policy area where private sector involvement was easily identified by the managing authorities has been the major projects of physical infrastructure,

where large consortiums in collaboration with Greek semi-public organisations have created successful partnerships (Paraskevopoulos, 2005). This is the reason why Greece has indeed benefited substantially from the structural funds when it comes to major projects of physical infrastructure. Nonetheless, when it comes to smaller actions and particularly actions of 'soft' intervention such as employment programmes the identification of potential final beneficiaries has been a constant source of frustration for the Greek authorities. If this is the situation concerning Greece, the picture about Irish leverage effects from the CP is very different.

In particular, from first joining the Community in 1973, to the end of 2008, Ireland has received approximately €17 billion in Structural & Cohesion Funds support (Department of Finance, 2012). This impact has been most pronounced since the reform of the Structural Funds in 1988. The contribution of the EU Structural Funds to economic and social development in Ireland is acknowledged as one of a range of causes for the economic growth and development achieved in the 1990s (Honohan and Walsh, 2002). However, the Structural Funds contributed to the Irish economy not only by increasing the net capital inflow, but more importantly, by co-financing structural measures for regional development, infrastructure and human resource development (IRO, 2012). In particular, according to IRO, the co-financed investment was 8,339 -10,383 and 7,680 for each programming period in Ireland.

Before the economic crisis, it was argued that a large part of the success of this funding was due to the integration of Ireland's National Development Plans (NDPs) completely with the EU's Community Support Frameworks (CSF). All the measures in the Operational Programme for Local Urban and Rural Development 1994-1999 (OPLURD) were co-financed by the Irish government and EU structural funding. Some projects attracted additional funding either privately from local sponsors, or publicly from community groups and funding raising (Adshead, 2005). As the Second Cohesion Report indicated "Ireland is an example of 'good practice' of the first order" as it 'demonstrates what can be achieved if Structural Funds assistance is integrated into a coherent policy which, in particular, maintains healthy macroeconomic conditions and which is supported by social consensus' (quoted in IRO, 2012).

This integration of NDPs and CSFs continued until the change in the economy no longer warranted such broad scale EU support. The two sources of funding were de-coupled for the first time in 2007. Nevertheless, up to this point and before the current financial crisis, it was widely accepted that Irish regional policy had been re-conceptualized 'with an emphasis on partnerships that have fostered innovation, bringing together actors from statutory, voluntary, public and private sectors' in a manner that 'blurred familiar distinctions between public and private, national and local, and representative and participative democracy' (OECD,

1996: 9). The very existence of Irish NDPs can be attributed to the influence of the CP requirements as part of EU CSFs (EPRC 2009: 47). In consequence, the Irish government employed the EU structural funding as productively as possible, providing the national resources for the implementation of a wider plan of industrial and socioeconomic transformation in consecutive NDPs.

## **Operational added value**

The discussion concerning the operational added value that emanates from the CP to the sub-national level is primarily related with the patterns of enforcement of the principle of partnership. This principle has offered significant opportunities for the inclusion of sub-national partners representing regional and local civil societies to participate in the regional OPs mainly through the Monitoring Committees (MCs). Despite the MCs offering significant avenues for inclusion in a policy area where Greece has traditionally lagged behind, the evidence suggests that the aims of the partnership principle were not promoted through that channel (interview with former employee of the Managing Authority for the operational Programme Ipeiros). Most of the times the MCs remained ‘talking shops’, completely devoid of any substance whilst the on-going economic crisis has resulted in them not even meeting so as to decrease the costs (interview with regional development consultant). Similar issues can be identified in the patterns of inclusion on behalf of the private sector at the sub-national levels. These overall patterns represent a significant setback in relation with previous programming periods and particularly the first two CSFs. During these periods the principle of partnership has been implemented adequately by the Greek authorities and the MCs have operated relatively effectively (interview with regional development consultant).

In terms of increased participation of sub-national economic development actors, businesses and citizens, the picture in Ireland is mixed. On the one hand, the partnership principle in all aspects of policy making from 1987 onwards has led to a more inclusive approach to regional policy stakeholders (Adshead, 2013). On the other hand, this change in policy practice was not matched by any substantive change in the supporting institutional architecture. The fact that regional policy administrative units could be routinely switched in each round of Structural Funding is indicative of their relatively superficial hold over sub-national governmental administration/ organisation.

The third National Development Plan (NDP) was the first to commit the Irish government to two regional Operational Programmes, in addition to the other three sectoral programmes. The mid-term review, carried out in 2003 (Fitzgerald et al., 2003), noted a significant under-spend in both regions, which was most likely

a reflection that these regions did not have the necessary institutional and organisational capacity to deliver and implement regionally differentiated programmes (Moylan, 2011). Membership of the Regional Authorities and Regional Assemblies consists of local authority elected officials: there is no regionally elected tier of government in Ireland and no commensurate regional administration. The regionalization of Ireland was at best superficial and the state remained dominated by the long-standing centralized system of national programming. This view is almost certainly confirmed by the current and widespread view, that given the reduction in EU funding and the current financial crisis, the future of Regional Assemblies after the fourth NDP 2007-13 has run its course (Adshead, 2013).

Turning now to the issue of the wider operational added value, the introduction of the Management Implementation System (MIS), as it was pursued by the Commission and implemented by domestic governments after the mid-1990s in Greece, has been the most important aspect of operational added value. At the time, the DG Regio identified the Greek civil service as the main obstacle for the effective implementation of the Structural Funds; hence the Commission sought to create an autonomous administrative system that would manage the regional and sectoral OPs. The idea was that through the creation of the Management Organisation Unit (MOU) a specialised agency would provide the necessary administrative and institutional back up to the separate MAs. Each MA has been divided in four Units each one delivering the individual components of added value relating with the monitoring, programming, evaluation and project selection of the programmes.

The introduction of the MIS has created pockets of administrative efficiency in the Greek civil service (interview with former employee of DG Regional Policy). Nevertheless, the still unresolved issue that will determine the extent of operational added value that will be left over for the country is the degree of autonomy that the MIS will enjoy towards the core civil service. The latest wave of territorial reforms has created 13 democratically elected regional authorities and the Intermediate MAs have been integrated in those. Although in theory that promotes the autonomy of the regional MAs, an interviewee has expressed concerns about possible interferences from the elected regional secretary to the MA (interview with regional development consultant).

In any case, the issue of the autonomy and indeed the fate of the MIS can not be guaranteed given the extent of the fiscal crisis that has engulfed the country. As part of the cost cutting that the Greek government is conditioned to deliver in the domestic civil service, several quangos are scheduled to be abolished or have already been abolished. As the legal status of the MIS is not clear, it could be that the Greek government will decide that they are quangos and need to close down (interview with employee of DG Regional Policy). This would have signalled the

cancelling of any effect that the MIS have had for the Greek civil service which has been far from negligible. Apart from the principle of partnership which has hardly been implemented in the country, other principles with more managerial characteristics such as evaluation, monitoring, accountability and financial management have been adequately performed by the MIS (interview with regional development consultant). Particularly in relation with financial audits, although they do create burdensome procedures for the implementing organisations, they have created a structure of financial accountability that has been lacking in Greece.

In Ireland, the establishment of the independent agency Area Development Management (ADM) to manage and control ERDF and ESF funded partnership projects and organizations, reflected the Commission's desire for a similarly autonomous Management Implementation System (MIS). Still, however, the Department of Finance maintained its pivotal role in the Irish public administration system, which was 'now reinforced by the European Commission's recognition of its role as the national managing authority for Structural Funds' (McCarthy, 2002). In consequence, the Irish state managed to effectively incorporate CP operational elements into its system of public administration, in national policy making frameworks and contexts, via the integration of Community Support Frameworks into National Development Plans. This meant that the impact of new policy making arrangements was more widespread across the Irish system of public administration as a whole. The spillover that this engendered in terms of operational added value in CP more generally is clearly evidenced by the Irish transition to 'government by partnership' (O'Donnell, 2008).

The wide scale adoption of 'government by partnership' in Ireland was motivated by a serendipitous synergy of pro-partnership policy impulses at both domestic and European levels. At the domestic level, the advent national Social Partnership arrangements in response to the economic crisis of the late 1980s reflected a shared understanding of the scope of economic crisis as much as a shared sense of responsibility for dealing with it (Adshead, 2011). Whilst the partnership dimensions to the first NDP/CSF were to comply with EU funding requirements and the motivation was a desire to access EU development funds, it soon became clear that these separate and successful implementations of partnership governance would serve to reinforce the legitimacy of 'partnership governance'. At local level, the growing enthusiasm for partnership structures, which developed in parallel with national level Social Partnership led to the growth of a wide range of partnership structures (Adshead, 2013).

By the time the second National Development Plan was introduced, a discernable shift of emphasis was apparent. The new principles of programming, partnership, concentration and additionality, the government's explicit attempt to 'build

upon the experience gained from the implementation of initiatives stemming from EC actions' (Government of Ireland, 1995), and the inclusion of a specific Operational Programme devoted to Local Urban and Rural Development (OPLURD), illustrated not only a major innovation in national planning, but also an important political response to demands from local and regional interests to concretise the spirit of partnership envisaged in the 1988 Structural Funds reforms (Walsh, 1995:13). Partnership governance became the established *modus vivendi* for Irish policy making, supported by developments within and outside the state and reinforced by a recognizable set of norms and values (Adshead 2011). Reinforced by international and EU approval, Ireland's economic boom both rationalised and justified partnership approaches to government.

By the mid 1990s, 'government by partnership' was assumed to be a more reflexive and dynamic mode of governance (House and McGrath, 2004), which could be applied to much broader policy problems such as strengthening local democracy and tackling social exclusion, as well as fostering local development and achieving economic growth. This was exemplified in a variety of partnership mechanisms set up at sub-national level by the 'Better Local Government' initiative and by the National Anti Poverty Strategy, which has been described as 'partnership lite'. Notwithstanding some of its acknowledged short-comings, the trend towards consultative policy making was by this time a well established *modus vivendi*, supported by developments within and outside the state.

### **Policy learning added value**

**I**n Greece, although the MIS have created pockets of efficiency, there is little evidence to suggest that the intended spill-over effects to the wider civil service have materialised (Andreou, 2006; EPRC, 2009; Andreou and Papadakis, 2012). The report produced by the Organisation for Economic Cooperation and Development as part of the Memorandum signed between the Greek government and the troika has identified the Greek civil service as a key obstacle for the overcoming of the crisis (OECD, 2011). In connection with the reforms of the civil service which would have provided the mediating factors for the better mismatch between CP norms and domestic practices, the results are pretty disappointing. A broad ranging reform of the Greek civil service has not been designed during the crisis whilst the individual measures that have entailed elements of civil service reforms have not been implemented. As a result, horizontal measures affecting whole areas of the domestic civil service in accordance to ill-thought and poorly implemented administrative criteria have only served to exacerbate the problems of administrative capacity.



In Ireland, it is generally agreed that the revised five principles of the Structural Funding criteria: programming, monitoring, control, evaluation and partnership had a significant impact on Irish policy-making (Adshead, 2013). Therefore, programming resulted in funds being disbursed and managed through multi-annual programmes, grouping together projects instead of funding them individually on an annual basis. This led to a greater degree of forward planning and strategic organization. Monitoring required regular reporting on the implementation of funded projects to optimize their deployment. Control gave the EU more transparent and accountable systems of accounting rules and reporting for project delivery, which had to be applied in member states. Evaluation meant that any EU funded project would require three evaluations during the programming period: ex-ante, mid-term and ex-post. Finally, partnership placed a requirement for consultation between all policy stakeholders in the preparation, financing, monitoring and evaluation of structurally funded programmes. In Ireland, during the period of the first NDP/CSF, all of these principles were new. Yet, the second NDP/CSF makes explicit references to 'building upon the experience gained from the implementation of initiatives stemming from EC actions' (Government of Ireland, 1995:12) in the area of local development. From this point forwards, the 'partnership template', comprising one third community representatives, one third social partners, and one third from the state, became the norm for all Irish policy making at national and local levels.

Furthermore, consultation with policy stakeholders (though often criticised as being inadequate or ill-thought out) is now a routine part of Irish policy processes. This is most clearly reflected in the institutionalization of partnership approaches (discussed above) but also evident in a significant change of culture regarding policy planning and evaluation. McCarthy (2002: 140) notes that EU requirements for evaluation altered policy practice and resulted in the establishment of Evaluation Units in a number of departments. Commenting on this, one department official noted that prior to EU engagement, 'evaluation was not a word in the dictionary of national government departments' (McCarthy, 2002).

### **Assessing the added value in Greek and Irish Cohesion policy**

**T**his section attempts to summarise our findings and provide an assessment regarding the patterns of internalisation of the CP added value in two of the original cohesion countries. As stated in the introduction our aim has been to move our analysis beyond crude generalisations regarding the relationships that the Greek and the Irish states have developed with the EU. Frequent analysis have described Ireland as the 'good pupil' in its relationships with the EU and Greece

as the persistent underperformer in terms of internalising EU political norms and legislation. Although there is some truth in those statements, the previous sections have shown that the picture is much more variegated and nuanced than that.

The conceptualisation of the CP added value as a potential source for disaggregated influences has shown that the two countries have had similar patterns of adaptation in certain areas but significantly divergent in others. The impact of the separate components of the CP added value has been mediated by the three factors relating with national and sub-national political and policy arrangements. Crucially, the examination of the cohesion added value has shown that in both cases the main aim of the CP which is the achievement of convergence between rich and poor areas both at the inter and the intra EU level has only partially been achieved. Although both countries have achieved significant rates of national economic growth, with Ireland largely catching up with the core EU countries, regional disparities inside each country have all but increased.

A similarly variegated picture emerges regarding the political added value incurred by the CP. Due to its constitutional reforms Ireland has strengthened the profile of the EU at the sub-national and national political levels. On the other hand, in Greece, the centralised and fragmented Greek state has hardly been challenged by sub-national participation with the regional actors remaining conspicuously absent by political engagements at the national and European levels.

In terms of policy added value, it is clear that both states have benefited substantially through the leverage effects of the EU Structural Funds. There is little evidence to suggest that either Greece or Ireland would have designed and implemented such extensive programmes of regional economic development had it not been for the external stimuli provided by this component of the added value. However, the main difference in this context has been the pattern of internalisation of the components regarding the programming requirement. Although Greece has benefited substantially from this process, arguably Ireland developed a stronger degree of integration through its internalising the Community Support Frameworks into its National Development Plans, thus creating a platform for the complimentary operation of the supranational and the national programming requirements.

In contrast, no such overarching and wide ranging national plan of socioeconomic development has ever been designed in Greece with the CSFs and the current NSRF being basically the only programming documents about national economic development. Similarly, the leverage effects concerning private sector participation in the CP programmes has been limited in Greece, with the managing authorities being engaged in a perpetual struggle to identify national match-funding. This is the case even after the decrease by the Commission of

the relevant requirement to 5% as a measure for the alleviation of the economic crisis engulfing the country since 2009.

Related with this issue is the enforcement of the operational added value and policy learning added value. Our work has highlighted the discrepancy between Greek and Irish national and supranational policy arrangements. The problems of the public administration in Greece were identified by the Commission before the introduction of the separate agencies that would oversee the management and implementation of the regional and sectoral Operational Programmes. It was for this reason that the MIS were established outside the core civil service – thus making the creation of operational added value spillovers almost impossible.

In Ireland, by contrast, those separate MIS that were created with the relevant agencies were never fully isolated from the core civil service and the protocols of ‘government by partnership’ ensured significant exchanges between different parts of the national system of administration that was dealing with CP. Yet this has not been accompanied by any institutionalisation of regional layers of bottom-up participation.

What becomes obvious from the above is that the policy area in which Greece and Ireland have varied considerably in their internalisation of the CP added value has been that of partnership. In fact, the differences in the patterns of internalisation of the CP added value have not been as stark as has been sometimes suggested by the Commission and neither state conforms to the stereotype that EU policy makers have attempted to apply for their own political reasons. If anything, the severity with which both states have been hit by the financial crisis that has engulfed the EU since 2009 serves to reinforce this point. Still however, the changes in public administration capacity and the related improvements of the domestic operational practices of governance have created circumstances that are more likely to put Ireland outside the crisis sooner than Greece.

## Conclusion

This paper explored the divergent ways in which the added value of the EU’s CP was internalised in Greece and in Ireland through an examination of the different dimensions of added value arising as a consequence of designing and implementing the CP. Taking together all of the component parts of the added value concept in our case studies, we argue that the CP should be understood as a source of more variegated and differentiated external stimuli and has the capacity to provide differentiated impacts upon the institutional and governance practices of the recipient countries.

In the Greek case, the added value was uneven and did not fundamentally alter the previously existing institutional characteristics of an institutional system

that was very centralised, uncoordinated and fragmented. True, there have been some important policy innovations as a consequence of the CP. Still, however, the domestic policy reforms that were necessary to ensure full implementation of the added value dimensions of the CP were not taken. We conclude that if Greece is to benefit fully from EU participation, a sustained programme of institutional reforms needs to be implemented by the Greek governments. Such reforms will have to tackle some longstanding problems of administrative function in Greece, such as the politicisation of the civil service, the co-existence of highly formalised and legalistic requirements with significant implementation gaps as well as the meaningful decentralisation of administrative functions. (OECD, 2011). It needs to be said that the philosophy and rational guiding the majority of the reforms introduced through the conditionality that the troika has imposed to the Greek government after the signings of the Memoranda of Understanding move to significantly divergent ways than the ones suggested in the article. The decrease of the costs of the government is the sole policy aim of these measures so that the country can have a primary surplus in the future. The continuation of these reforms is likely to render any discussions concerning the patterns of internalisation of the CP added value in the Greek institutional structures irrelevant.

In the Irish case, adoption of the regulatory requirements of the cohesion policy has been characterised as ‘pragmatic adaptation’ (Rees et al., 2006). The Irish may not have been ‘immediate converts’ to the spirit of CP, but the successful interplay between the added value intended by the CP to influence the governance arrangements of the recipient countries and the decisions that were taken at the domestic level did lead to a number of significant shifts in policy styles and structures. Notwithstanding the continued dominance of centralized government, it is nevertheless clear that many of the formal and informal policy rules, styles and ‘ways of doing things’ which were originally taken up to satisfy EU structural funds criteria have since been more genuinely adopted and mainstreamed by Irish policy makers (Connaughton, 2009).

The added value of the CP was internalised into the Irish domestic policy framework and provided a further stimuli for policy change. ‘In a few years’, according to Cromien (2000: 152), ‘the Irish civil service changed from something that wouldn’t look out of place in a Dickensian novel, to a much more modern and outward looking organisation’. It is within this context that the added value desired by the CP was integral to policy changes already sought and supported in Ireland. The practical effect was that Irish policy processes were subject to similar forces for change at both national and international (and even local) levels. The internationalization of EU Cohesion policy’s added value, via the incorporation of its governing principles and management tools, resulted in improved internal

and coordinating capacities of the Irish state. It was this synergy of effect between developments in all three levels of government - EC, national and sub-national - which, combined with economic success and social consensus, contributed to a significant improvement in the Irish public administration system, increasing its administrative capacity and thereby further positively legitimating the influence of the EU. The combination of these issues can explain why the structural changes introduced through the CP added value were not significantly affected by the economic crisis that has engulfed Ireland.

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